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THE OUTLOOK

The Last Bargain in U.S. Credit—Important Developments in Foreign Trade—The Age of Oil—Money and Exchange—Business Conditions—The Market Prospect

THE Victory Notes, paying 4¾% and tax exempt for the buyer who pays only the normal rate of income tax, are very attractive even when considered solely from the investment point of view, regardless of our patriotic obligation to finish paying for the victory which our soldiers and sailors have won. This is the last opportunity to buy the credit of the United States at a bargain.

Even in the stress of the war, none of the Liberty Bonds have sold at a price to yield as much as 5%. At a price of 99 the 4¾% Victory Notes would yield a trifle more than 5%. So it is clear that there will be little or no discount on these notes at any time. On the other hand they should certainly sell on a 4% basis before maturity. If this occurred one year after the issue of the notes, it would mean a price of 101⅜.

Prospects of Foreign Trade

FOR reasons several times explained in this department, all developments connected with our foreign trade are now of special interest and importance. It is encouraging, therefore, to note that our March exports exceeded by $50,000,000 the highest past record for any March, which was in 1917, and almost equalled last January, the best month in history. And there can hardly be any question that our exports will continue very large throughout 1919.

Export business is still intimately connected with loans by our Government to its allies. In February these loans fell off to about half the average amounts of previous months since we entered the war, and it was thought that this might mark a turn in our Government policy in this respect; but in March such loans were over $322,000,000, more than double February and well up to the previous average. If this policy is continued it will be of very substantial and immediate help to our export trade.

In the meantime leading banks are organizing to aid in placing foreign loans among private investors. Sixteen important banks of New York, Boston, Cleveland, Chicago, New Orleans, St. Louis and San Francisco have already formed the Foreign Bond & Share Corporation to finance public and private enterprises in foreign countries. The corporation will sell to American investors either the foreign securities themselves or its own debentures secured by deposit of foreign securities.

There can be no doubt that this plan, and probably others similar, will be successfully carried out after the peace treaty is signed and that it will be of great importance in building up our exports. In South America, Asia, and other undeveloped regions rates of interest are higher than in this country, and the present discount on foreign exchange permits European securities to be sold here at a higher income return to the investor than abroad.

Our March imports were only a shade below the largest previous March at $268,000,000 and have shown a steady increase from $211,000,000 in December. The general tendency for some years to come must be in the direction of increased imports. Europe must export to us to help pay the interest on the huge sums it has borrowed from us, and other nations will find here a better market than in Europe, now so sadly impoverished.

The March excess of exports over imports was very large, $337,000,000, although considerably below the January figure of $410,000,000. It is to be expected that this balance will gradually fall off because of rising imports.

Foreign trade will hereafter constitute a much more important factor in American business than before the war. Because of our tremendous loans abroad and our present commanding position in industry and finance, pretty much the whole world will have to pay us tribute. Instead of being compelled to produce more goods for export than we receive in imports, as before the war, we shall be to a considerable extent in the position of the investor who can live on his income. We shall get a considerable supply of foreign goods without working for them, because the interest on our foreign loans will pay for them. At the same time, foreign prices generally have risen more than ours, and our industrial efficiency has increased at least as much as that of the rest of the world, so that we are in a good position to keep on selling goods abroad.

All this means a new era for America and a new era for our investment markets.

The Age of Oil

THE question is often asked whether the present boom in oil stocks rests upon a solid foundation. It certainly does, although some stocks may have overdiscounted the great change resulting from increased consumption of oil.

The basis of the boom lies in the fact that oil production has increased 90% in the last ten years, compared with a gain of 52% in iron production and 66% in copper. Over such a long period production means practically the same as consumption, since the difference in stocks of oil, iron and copper on hand is only a small part of ten years' production.

The upward tendency in the oil industry is more than 50% faster than in most other trades and there is no indication that this rate of increase will slacken for some years to come. More trucks, more passenger automobiles, more oil-burning ships and locomotives, an increasing use of crude petroleum as an industrial fuel in certain localities where it is easily available—these are the developments that tell the story of oil. Mixtures of gasoline and industrial alcohol will doubtless invade the pleasure car field to some extent, but not enough to prevent a steadily growing demand for petroleum products.

Farm tractors will soon be another important element in the consumption of oil. Preparations are being made for their manufacture on a very large scale and it is expected that they will displace horses in large farming operations, and even to a considerable extent on smaller farms also.

Money and Exchange

ALTHOUGH there has been a considerable recovery in sterling exchange, all the European belligerent exchanges continue at a large discount here and no early change in this respect is probable. It is simply the index of a situation in which Europe cannot at once pay its debts to us, and the correction of this condition must take time.

Continued firmness of the money market is to be expected until after the loan is floated, but there should be a tendency toward increasing ease this summer. Autumn money rates will depend to a considerable extent on the rapidity of the gain in business activity.

As yet lenders are wary of building construction, fearing a sharp decline in prices in that field. We very much doubt whether the decline will come this year at any rate. It is far more probable that we shall have to adjust all our ideas to a fairly permanent high range of prices throughout industry, and that building loans as well as all others will eventually have to be made on that basis. With the whole country at least a year behind in building, it is only a question of time when great activity in that field will prevail, with an equally heavy demand for building loans which will have an important effect in maintaining money rates, or at any rate in preventing them from reaching low levels.

The money situation in Germany is very interesting. The heavy indemnities de-

manded by the Allies will drain surplus capital out of Germany for many years. The German war loans would not have that effect, since they were practically all taken in Germany itself, but the indemnity will place a heavy handicap on German enterprise. At present, as measured by neutral exchanges, German money is worth about 30 cents on the dollar—the inevitable result of reckless war financing. Down to the latest reports received the Austro-Hungarian Bank was still running the printing press at top speed and exchanging the bills for war loans as security. Bankruptcy with almost no assets will be the probable result.

Business Conditions

IN most directions business activity is now on the up grade, but in construction lines a rather dull summer is likely. One of the peculiar, and regrettable, features of the situation is the big demand for luxuries. Jewelry, pianos, silks, pleasure cars, and so on, are finding a ready market in spite of the high prices. Theaters are doing a record business.

The demobilizing armies are hungry for pleasures, and joyous relatives want to spend now if never again. In Germany and Austria there is a general spirit of reckless expenditure, partly, no doubt, because of a growing realization of the insecure foundation of money and doubts as to the soundness of financial institutions.

The steel trade is operating at perhaps two-thirds capacity, some of the previous estimates current in the trade having been found to be too low. New orders are few, partly because of the uncertainty as to attempted price stabilization, and the unfilled orders of the U. S. Steel Corporation will evidently show a further decline May 1st. The demand for copper is very small but the price of that metal is now so low that any important change must apparently be for the better.

The Market Prospect

THE bond market, while dull, is now holding its own near the low level since the peace rally of last fall and but a few points above the bottom prices touched previously. Such bargains in bonds may never again be seen in this generation. The bond situation is ripe for a turn and the up-swing will be a long one. At most, the investor could hope to buy only a little cheaper, and with certainly an equal probability of having to pay more than current prices. But for most issues the gain will doubtless be very gradual.

Continued activity in the stock market is largely in the specialties. The fact should be borne in mind that with the great increase in the number of issues dealt in on the exchange, million share days do not have as great significance as before the war.

There has been a great deal of buying by the public and realizing by the more conservative type of investors and by professionals who believe a reaction is "over-due." On the other hand, buyers as a rule have plenty of funds and are well able to hold their stocks if so minded. The kind of public which trades on "shoe-string margins" has not as yet appeared in any great numbers.

Because of the rapidity of the advance and the important shifting of interests which has occurred, investors should now exercise considerable conservatism, and the higher prices go the more cautious they should become. The occasions are rare when it pays to buy on such sharp advances as many issues have now recorded.

In some issues it is evident that a considerable volume of stocks is now in relatively weak hands. The sale by the American International Corporation of its holdings of U. S. Industrial Alcohol is a case in point. Many of those who bought the stock thus liquidated will be far more likely to sell out on declining prices than American International.

On the other hand, some stocks have risen but little, notably the coppers. Good preferred stocks are gradually gaining ground but there are still many investment bargains among them, and the same is true of second grade and semi-speculative bonds.

Tuesday, April 22, 1919.

THE STOCK EXCHANGE'S GREAT OPPORTUNITY

How the New Investment Public Should Be Protected—Advantages to the Exchange.

THE New York Stock Exchange now faces a great responsibility. Also its greatest opportunity. Public participation in the security markets has already attained tremendous proportions, but it is nothing compared to the extent to which this should develop in the future.

Millions of persons, who never before owned a stock or a bond, have been introduced to the immense advantages of securities over other forms of property. Uncle Sam made the introduction when he advertised his Liberty Bonds* to men, women and children throughout the land. That was the beginning; the result will be far-reaching.

The New York Stock Exchange, therefore, becomes more than ever the pulse of the country, because within its walls are dealt in not only Liberty Bonds, but the securities of our greatest railroad, industrial, oil, mining and public utility properties. Transactions there mean more to the American public than the combined transactions of all the other markets in America.

Now what is the New York Stock Exchange going to do to insure the safety of this new public—these uninformed persons, who for the first time are placing their money in stock and bond investments or actively trading in securities?

The most important thing that the New York Stock Exchange can, and should do is to so widen the powers of its Committee on Business Conduct that the books of every one of its members, who are doing a commission business for the public, shall be audited periodically by expert auditors in the permanent and exclusive employ of the Stock Exchange.

The books of every bank, trust company, insurance company and surety company are examined regularly by the Federal or State authorities, the underlying principle being that

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* The term "Liberty Bonds" was originated by "The Magazine of Wall Street." See article by Barnard Powers, April 28, 1917, page 77.

these institutions are entrusted with a great deal of the public's money.

Why does not this principle apply to brokerage houses?

Hundreds of millions of the public's money are entrusted to New York Stock Exchange houses and their correspondents every year. But no check is placed on the financial strength or method of conducting these houses.

The recent failure of Toole, Henry & Co., is an instance. No outsider or customer knew this firm was in an unsound condition until the failure was announced. The New York Stock Exchange should have known. *What is the use of a police committee if it does not do police work?*

No matter how much capital or resources a firm might have, it cannot withstand bad management for any length of time. It cannot be lenient in its margin calls, or divert its funds for the promotion of seemingly attractive enterprises or permit its partners to venture the funds of the firm in any manner. The way to prevent this sort of thing and to forestall failures is to audit the books.

Many objections to this will be raised on the part of some members. Their names should be carefully recorded and the books of those whose protests are the loudest should be examined first.

Admitting that failures among New York Stock Exchange members are few and far apart, there is no reason why there should be any. There is scarcely a contingency even to defalcation of trusted employees that cannot be provided for by means of a thoroughgoing system. A form of mutual insurance could be worked out by which an indemnity can be provided for those firms who are unexpectedly weakened through no fault of their own; thus they can be tided over until they are either put on their feet or liquidated.

Why not let membership in the New York Stock Exchange stand for something more than a seat worth $75,000?

Why not make it stand for guaranteed reliability, responsibility, and certified soundness?

The New York Stock Exchange owes this to the investing public in the United States, Europe and elsewhere. By this means all classes of houses doing a brokerage business will be graded according to the standard set by the New York Stock Exchange.

Such a move should add fifty per cent to the value of New York Stock Exchange seats, but a thousand per cent to the estimation in which its members would be held by the public, not only because the public would then understand that the Stock Exchange is making an earnest effort to place its institution on a high plane, but also because, for a new and stronger reason, it will stand in a class by itself.

I do not know what the Stock Exchange will do, but it seems obvious what should be done, and I believe the most conservative and intelligent class of New York Stock Exchange members will thoroughly agree with me.

Richard D. Wyckoff.

MR. CHAS. N. EDGE

Does England Menace Our Trade?

By CHAS. N. EDGE

Observations by Banker who has just returned from abroad. Lessons England has learned and ground she has lost by war

MR. CHARLES N. EDGE, who gives his views in the following pages on the business and investment outlook, has just returned from England where he spent two months in studying English and economic conditions with the object of determining the trend of post-war business and financial events.

Mr. Edge is one of the new generation in finance. Less than 40 years of age, he is a partner in the important firm of F. B. Keech & Company and although his name is little heard outside of the "Street," he has built a remarkable reputation for himself in the financial district as a profound student of underlying economic factors and as a keen judge of investment values.

Situation in England

"When I went abroad in February," said Mr. Edge, "I was bullish on England. You will recall, if you will permit me to indulge in a little ancient history, that England's great difficulty always lay in her high costs. Basic costs were so high in the production of steel, railway equipment, locomotives, etc., that she had great difficulty to compete in price with Belgium, Germany or America. The chief cause of high costs was her small units of production. There they would build automobiles, for instance, on a 100 unit basis whereas in this country we would lay down the same model on a 10,000 unit basis. In spite of her lower labor costs the cost of production was so high that England was gradually but steadily losing her premier position in world trade.

"Before the war England had a preeminent position in trade in South America, South Africa, China and the Far East. It was always possible for her to obtain prices at least 15% higher than for the products of other nations. One reason for this was that the reputation for English materials and workmanship was better than that of her competitors. England and the English merchant were never after a specific contract for machinery and would never reduce the quality and rarely the price to obtain an order. England was always after permanent trade. Her export trade was her life blood and the main-stay of her wealth. Nor would her merchants extend unnecessary credit.

"On the other hand America's mainstay has been her export of foodstuffs and raw materials. Until recently her entire manufacturing output has been taken here in normal times. When there has been a surplus of manufactured products they have been sold abroad on any terms and almost at any prices. This process was known as "dumping" and the general idea was to dispose of surplus goods at any sacrifice in order to keep the mills busy.

"The natural result was that American goods were sold abroad at cut prices and at times were of bad quality. When business in this country was good the American manufacturer didn't want foreign business and the foreign buyer couldn't even get an offer.

"Foreign buyers, generally speaking, became impatient with both American goods and American methods.

Growth of American Manufactures

"The time has now come when American manufactures exceed domestic requirements approximately one and a half times. From now on we must sell *continuously* to foreign buyers or else we shall lose a great opportunity. England's handicap was her high costs because of her small units of production. America's low costs, low in spite of her high wages, permitted her to grow but slowly because

of her policy which did not permit an American merchant to make a consistent living in foreign markets.

"You will perhaps be surprised to learn that of the 28 foreign trading companies organized by America in the Far East during the last 20 years, only one survives today.

"If our export business continues on its former basis the export companies which have been formed recently must eventually go into bankruptcy, or perhaps to put it more mildly, must suffer terrible periods of depression—unless they manage to eke out by making fortunate speculative security investments.

"The war has definitely taught England the lesson of large units of production and in many cases has reduced the cost of output so that enormous increases in wages and labor has been offset. I will cite two instances, the first being the production of pencils. In this case the cost of cedar has increased two and a half times since 1914 and the cost of graphite two times. Yet the cost of producing pencils is now lower than in 1914. In the production of sextants and theodolites the cost of materials and labor has similarly increased yet the per unit cost of output is lower than in 1914.

"On the other hand the unit cost of steel has increased very rapidly for the unit of production has not been enlarged and the unit of coal production also has not increased. Today England's cost of producing a ton of steel is nearly $10 higher than in the United States while in 1914 it was about equal to ours. In automobiles England is just beginning the policy of high units of production and one or two cars, such as the Austin, are now being built on a basis of 10,000 of each model, fully equipped.

"As I have already remarked I went abroad a bull on England but on returning I am of the opinion that in coal, steel, coke and heavy products England has lost much ground in comparison with the United States and that there is no danger of her becoming a serious competitor in basic materials, either here or in other countries. But the smaller manufacturer has learned his lesson and will compete seriously.

England's Decreased Efficiency

"One realizes how far England has fallen behind when one recalls that in 1918 England produced 226 tons per annum of coal for each miner while in the United States the production was 920 tons per annum. A decade ago the English miner produced 280 tons per annum against 800 tons per annum by the American miner. This is a change of extraordinary fundamental importance. Ten years hence the United States will be a great exporter of coal. One reason, of course, is that the wide seams of coal in England are largely worked out. Moreover there is only one-fifth of machinery h.p. per ton in English coal mines as compared with American coal mines. Again the English miner is bitterly opposed to and vigorously contests any introduction of coal cutting machinery or other labor saving devices.

Labor

"The great and overwhelming problem in England today is that of labor, but it is not a question of Bolshevism for labor already rules. There is no wish or desire to destroy and I do not believe the spectre of Bolshevism will ever become a menace, but today all business and all labor in England is wrought up and tired and the period of settling after the war must be long and drawn out.

English Policy Towards Labor

"While the war lasted the Government followed the necessary policy of giving in completely to all labor demands. Now the Government, which includes the labor leaders, is giving in only under pressure. The cost of living has decreased 5% since last November and the peak of high prices is over; labor has, therefore, lost the basis for further demands. I believe the point has been reached where there will be no further concessions to the miners or railway men and the Government will be willing to use troops

to prevent the tying up by strikers of public utilities.

Financial Position

"Financially England is extended to an alarming degree, the average bank carrying many times its capital in war loans or war bonds. The country is definitely on a paper basis and gold metal is selling at a large premium. There is an absolute embargo on the export of gold, securities or drafts except in trade exchange. It is impossible to carry £500 out of the country.

"The exchange position is most artificial. If perfect freedom were allowed, including gold, securities and credit, exchange would probably suffer a terrible decline. To remedy this situation there is a strong feeling against importing anything from America, especially wheat, leather, steel and automobiles. The English newspapers all urge imports from South America or Australia where the balance of trade against them is not so large.

"There is some talk that if the ban was lifted the English would sell their remaining American securities. I believe that exactly the reverse would be the case and that there would be heavy buying of our securities, as English securities are selling on a 1 to 2% lower yield basis than American securities.

"New domestic industrial issues there are snapped up with the greatest eagerness. The investing public appears to have no fear for the future of those concerns which have benefited so largely through the war. Every flotation of a speculative nature is a complete success. The same situation is even more pronounced in Belgium.

England's Premier Position Gone

"I returned from England feeling that she has lost her premier position in trade and it seems unlikely now that she can ever recover it. Inquiries are large but owing to the labor situation the manufacturers will not even look at them. One of the great mistakes, amounting almost to a criminal error, was to offer 35 shillings a week to the unemployed during the period of demobilization.

"For remaining in idleness the individual receives the equivalent of practically two-thirds of the normal wage. If we adopt that policy here we will find ourselves in severe straits. Only about 2 or 3% of those demobilized have applied for work. This step alone, in my judgment, has set England back five years.

American Security Markets

"As a result of my trip I am extremely bullish on American securities over a period of two or three years. The prospects have apparently been appreciated by the speculative public for a sharp rise accompanied by a great volume of trading, has taken place.

"In my opinion, however, the rise is premature. Only once in the last decade have we witnessed a large advance with a volume of 6,000,000 shares a week without a decided and sharp reaction equivalent to at least two-fifths of the advance. That single exception was in 1915. I am bearish on prices for the next two months but not over a long period.

"In February there was every indication of a continued liquidation in business but that has not taken place. Money should have become easy but it has remained tight and it is a generally accepted axiom that there can be no extended bull market without easy money. It is also an almost invariable rule that there can be no great bull market when luxuries are making money and necessities showing losses.

"One reason for this premature bull market seems to be the billions that have been guaranteed to the farmer and producer in the West, such money being largely taken from the necessary industries. The shifting of such an amount of money is bound to have a far-reaching effect. I believe that a reversal must take place and I do not look for a sustained upward movement in security prices before next Fall."

Principles of Stock Prices

By G. C. SELDEN

Relation to Commodity Prices—The Minor Cycle—Its Causes and Special Features—Stocks and Money

[Part V. of the Series A CENTURY OF PRICES: An Examination of Economic and Financial Conditions as Reflected in Prices, Money Rates, etc., During the Past 100 Years, with a View to Establishing General Principles Which May Aid in Interpreting the Present and Future. By Ex-Senator Theodore E. Burton and G. C. Selden.]

AT first glance the accompanying graph of stock prices since 1860 presents an appearance of lawless irregularity. But on further examination it proves to be one of the most interesting of the various graphs we have discussed.

First, what is the relation of stock prices to the other main factors discussed in preceding chapters?

Comparison with commodity prices (Chapter III) shows at once that there is no such general correspondence between stocks and commodities as we found to exist between bond yields and commodities.

Nevertheless a sharp rise in commodity prices has a strongly bullish influence on the stocks of companies which are free to advance the prices of their products in accordance with demand. In recent years this has not included railroads and public utilities; for while those companies have been granted advances in rates, the advances have not been sufficient to keep up with rising costs of operation.

G. C. Selden

Rising Commodities Benefit Industrials

But owners of industrial stocks have benefited not only from the general inflationary effect of rising commodity prices, but they have also benefited further and very greatly *at the expense of bondholders.*

Suppose, for example, that an industrial company is capitalized at $300,000, of which $100,000 consists of 6% bonds—making the annual interest charge $6,000—and $200,000 is in the form of stock, on which 6%, or $12,000, is being earned annually. Now let us suppose that a great rise in commodity prices occurs, which doubles this company's cost of production and also doubles the selling price of its products. It is evident that its profits—in dollars—will also be doubled.

The bondholders do not share in this increased profit. Their return is fixed at $6,000. But the company's profits applicable to its securities have increased from $18,000 to $36,000. So $30,000 is now left for the stock, or 15% on the $200,000 outstanding. And this without any change in the company's per cent of profit on its output.

This shows us one of the principal causes of the growth in the profits of industrial companies during the period of rising commodity prices which began with 1898, and which from 1915 to 1918 was such a controlling factor in our whole economic life. The same principle must necessarily operate in any great

advance in commodities, while a sharp decline in commodities will cut down the earnings on stocks with corresponding rapidity.

In the case of a company which, in addition to bonds, has preferred stocks on which the dividend return is limited to a fixed per cent, the effect on the earnings for the common stock is even more marked. If, as is sometimes the case, three-quarters of a company's earnings on a low-price basis were required for bonds and preferred stocks, a doubling of commodity prices would multiply the earnings for the common stock by five.

Panics Affect All Securities

In comparing bond yields and money rates with stock prices, we see that panics, even of a relatively minor character, affect all three. Bond and stock ices fall and money rates rise. The effect on bonds is temporary and in the case of minor panics unimportant.

The years of high money rates—1860, 1865, 1873, 1882, 1890, 1893, 1896, 1907, 1914—have also included a sharp fall in stocks, with the single exception of 1882. In that year the high rates were due to the constant absorption of money by the U. S. Treasury, rather than to general economic conditions.

On the other hand, there were considerable declines in stocks in 1884 and 1903 without much effect on commercial paper rates. In both cases the panicky conditions were practically confined to Wall Street, and call money was sharply affected—reaching 3% a day in 1884—but since commercial conditions were good, mercantile borrowers were able to postpone their requirements until the pinch in Wall Street was over.

The Minor Cycle

From the standpoint of general principles, the most interesting point connected with stock prices is the comparatively regular swing noticeable since 1884, which has come to be called "the minor cycle." An examination of the graph shows that low prices for stocks, accompanied in most cases (but not all) by relatively high money rates, have occurred every three or four years with an astonishing degree of regularity. These years have been as follows: 1884, 1887, 1890, 1893, 1896, 1900, 1903, 1907, 1910, 1914, 1917.

In between these low points there has been in each case an upward surge in stock prices. In most instances there have been about two years of rising prices and one year of decline. The reason for this will appear later.

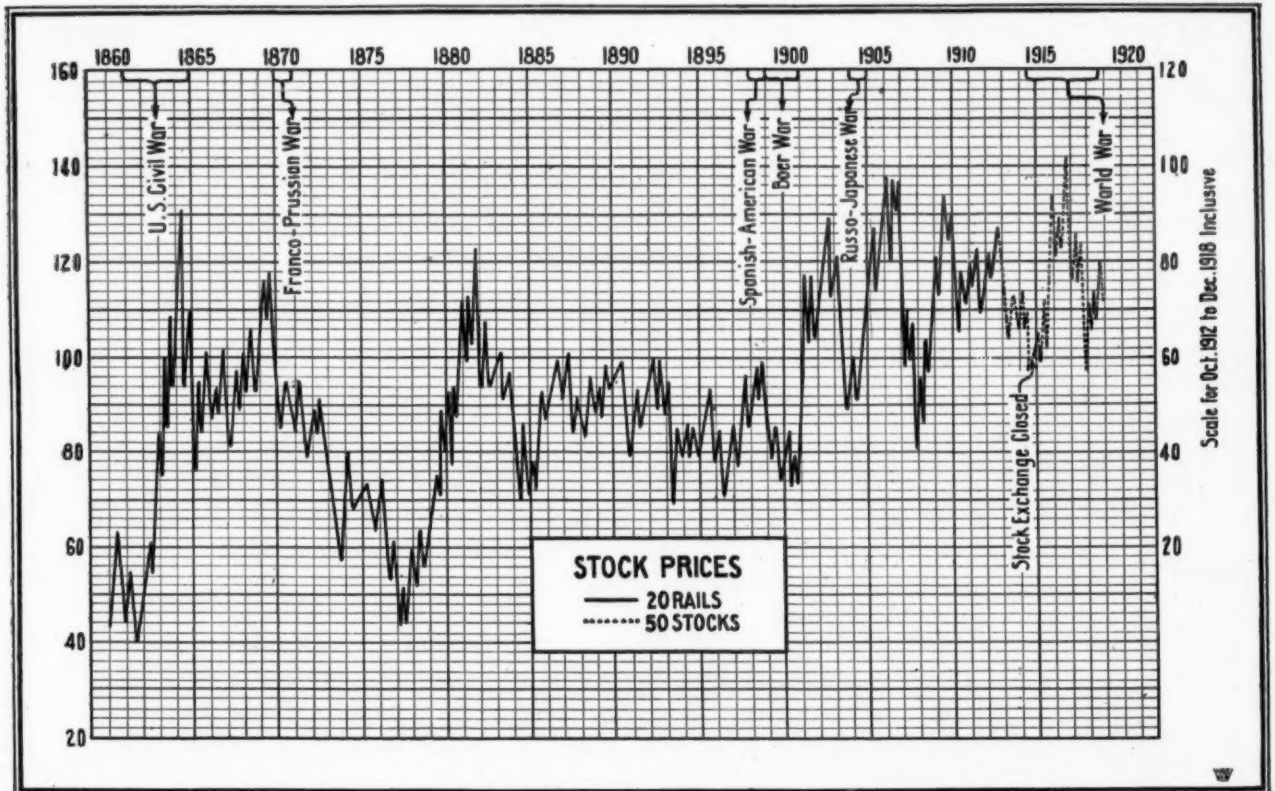
A regular swing of this character, occurring throughout such a long period, indicates the strong probability of some general law. And this probability is increased by the great variety of explanations advanced for the recurrent declines.

The panic of 1884 was alleged to be due to the Grant & Ward failure, accompanied by the collapse of the Marine Bank and followed by a few other bank failures. For the decline of 1887 only the most general reasons could be assigned, such as over-expansion, over-extension of mercantile credits, etc. The drop of 1890 was assumed to be the reflection on this side of the Baring failure in London.

The panic of 1893 was a mystery to current commentators. Later judgments have attributed it to a variety of reasons, of which the Government's continued heavy coinage of silver and dwindling supply of gold perhaps carry the weight of the most authority. The decline of 1896 was immediately due to the fear that the pending election would result in a silver basis for our currency.

The low prices of 1900 were mostly confined to railroad stocks. The industrials were then feeling the benefit of rising commodity prices. The movement was generally considered a reaction from excessive speculation. The bear market of 1903 was labeled the "undigested securities panic," and thought to be due to the over-issue of industrial stocks.

In 1907 came a "money panic," again due to over-expansion. For the moderate decline of 1910 falling railroad earnings and the Government's intention to prosecute leading corporations under the Sherman anti-trust law were assigned as reasons. The low prices of 1913 were due to general depression and were followed by the war panic in 1914. The great decline of 1917 was in part due to our entrance into the war and the prospective great demands for capital for war purposes.



Stock Prices—From 1860 to 1900 the average used is that of twenty railway stocks compiled by Henry Hall. From 1900 to 1912 the Dow-Jones twenty rails are used, the average having been substantially identical with Henry Hall's at the end of 1900. In more recent years the rails have not adequately represented the general course of the market, therefore we show the New York *Times* average of twenty-five rails and twenty-five industrials combined, which makes necessary a change of scale. These are believed to be the best averages available for the different periods. The fact should be noted, however, that the reduction of the scale for the years 1912 to 1918 has the effect of narrowing the fluctuations of that period somewhat as compared with the rest of the graph.

In nearly every instance over-expansion, over-extension of loans, over-speculation, or over-something-else, has been mentioned as one of the causes contributing to the decline. Is it not at least probable that these "overs" are the main cause of the minor cycle, and that the special events of the time are contributing factors which make greater or smaller a decline which would have occurred in any case?

The Fundamental Cause

The fundamental cause of the minor cycle is the law of action and reaction, the building up process and the falling down process.

At low prices, stocks are mostly in the hands of courageous, outright investors, who cannot easily be frightened into selling. As prices rise, more and more stocks pass into the hands of buyers for profit only. The higher quotatios go, the more the public comes into the market. Nothing so strongly stimulates speculative purchases as the spectacle of rising prices.

Buyers at high prices are necessarily of a weaker class—weaker in judgment and therefore weaker in resources—than buyers at low prices. After a prolonged and extensive advance, a great volume of stocks becomes lodged in the hands of these weak holders, while many of the stronger class of investors have realized at the high prices and transferred their funds into more stable securities, such as bonds or short term notes.

Eventually these weak speculative holders have bought all they want, or some of them become discouraged, or some unfavorable event dampens their ardor. They then begin to sell out on each other—since prices are too high to attract the genuine investor for income.

For such a situation there is no cure except a decline to a level which will attract the stronger class of buyers. So we next have the downward swing of the cycle. How far the fall must go depends mostly on the supply of liquid capital, which is roughly indicated by money rates.

During the rise, with the public active in the market, there is a great deal of shifting from one holder to another, accompanied by reactions, temporary slackening of activity, and renewed advances. Investors part with their holdings gradually, as each becomes satisfied with the prices to be obtained. But the decline consists mostly of weak holders letting go to other weak holders. For that reason the fall is more rapid than the advance.

In the meantime much the same thing is occurring in many lines of industry. Speculation is by no means confined to stocks—"the instinct of anticipation" is general. Buyers of goods try to purchase not only at the cheapest place but very often at the cheapest *time* also. The bargain sale attracts the housewife because she believes the goods are cheaper than they were last week or may be next week. She is a speculator, though she doesn't realize it.

The morning newspaper would seem to be something which no one would try to buy at the cheapest time. Yet some commuters who have to pay an extra cent for a paper at their station buy only one to read on the train, waiting to buy another at the regular price in the city.

In the larger affairs of business, almost every purchaser tries to buy as far ahead as possible when he thinks prices will rise, and to delay buying as long as possible when he thinks they will fall. Rising prices, unless already very high, bring increased orders, but buying falls off on declining prices until it is believed that the bottom has been reached.

In this way the spirit of speculation, unrecognized, or at any rate not called by that name, permeates all business, and the minor cycle in a modified form is a feature of industry as well as of the stock market. Any chart of steel prices, unfilled steel orders, pig iron production, or bank clearings plainly shows the modifying effect of the cycle.

The importance of this in the present discussion lies in the mutual influence which the stock market and general business conditions exert upon each other. A widespread willingness to buy in any industry tends to increase its prosperity, for the time being. Its prosperity tends toward higher prices for the stocks of companies in the industry. And rising prices for the stocks tend to encourage business men to extend their undertakings—since many of them realize that the stock market, properly interpreted, is

a valuable indication as to future conditions.

Each dog in a pack of hounds runs faster and longer because he sees the others running; and with all our intellectual development, this primary instinct remains. We catch each other's enthusiasm or depression. In any market where the spirit of speculation exists—and it would be hard to name any where it is wholly absent—rising prices once started tend to continue rising until they are obviously too high, and falling prices tend to fall until they are obviously low. And that is the main part of the story of the minor cycle.

Features of the Minor Cycle

The relation of money rates to the swing of stocks in the minor cycle is of interest, but is not so direct or decisive as might at first be thought. It has usually been the case after a bull movement in stocks, that when prime commercial paper at New York, after a period of lower rates, advanced to a 6% basis, the advance in stock prices proved to be practically over. Then money has remained around the 6% basis, or in some cases higher, during the downward swing of the stock cycle. After the completion of the liquidation in stocks, the money rate has usually dropped, within a few months, to around a 4% basis, or in some instances lower.

The highest money rate has corresponded rather closely with the lowest prices for stocks, falling gradually as stocks began to rally, remaining for a time near a 4% level, and then rising to 6% as stocks reached their top. Theoretically, it might seem that the lowest money rate should correspond with the highest prices for stocks; but that is not the case, for speculation, once under way, carries stock prices upward even though the money rate rises at the same time.

Another reason why money rates and stock priecs do not move more in harmony is because, so far as the demand for money is concerned, stock speculation is the tail to the kite—the kite being the money requirements of general business. When business really needs money, it takes it away from the stock market. A bull market in stocks is based on surplus funds, which at the time are not needed for other lines of business.

It would, however, be a mistake to suppose that the structure of a bull market will not topple over until the money rate rises sharply. It sometimes falls of its own weight, so to speak, while money remains cheap. This occurred in the fall of 1916, when the highest prices for stocks were made on a 3¾% rate for commercial paper, and the rate did not rise to 6% until after the low prices of December, 1917, were past.

The Federal Reserve System, with its easy rediscounting, will prevent extremely high money rates and may have the effect of reducing the general average of rates somewhat. It will not, however, reduce the supply of money available for stock market purposes as compared with the past. Nothing else is so mobile as credit. Loanable funds will seek the best rates as surely as water seeks its level.

The minor cycle in industry is more clearly and promptly reflected in the unfilled orders of the U. S. Steel Corporation than in any other statistics now available. These follow the swings of the stock market quite regularly, keeping three to six months behind stocks at the high and low turns. For that reason the minor cycle in stocks is decidedly helpful in forecasting coming conditions in the steel industry, with which other trades also strongly sympathize.

(*End of the Series.*)

FINANCIAL INDEPENDENCE AT FIFTY

Bonds and Preferred Stocks for the Large and Small Investor—Two Plans Suggested for Initial Accumulations—Specializing in Bargains—The Value of Knowledge

By VICTOR DE VILLIERS

BEFORE passing on to a discussion of the actual type of investments considered suitable at various ages, it occurs to the writer that the point might be raised that these suggestions are suitable only for certain classes, namely, those who have already accumulated a surplus and those in a position to do so. While it is true that investment advice can principally benefit those who are in the investment class, *any one can put himself in that class.*

About twenty-two million Americans participated in the fourth Liberty Loan of six billion dollars. Many of them became investors overnight, and in the majority of cases for the first time in their lives. Each of them is now an *investor,* and the realization that it is not so difficult to save, and that compound interest is more potent than was generally supposed, is already exerting a powerful influence on the investment market.

For the benefit of those who have never thought the matter over, the following figures show what a savings account of $10 monthly will accomplish in twenty years at only five per cent:

In one year	$ 123
In five years	682
In ten years	1,555
In fifteen years	2,672
In twenty years	4,103

But the investor is not limited to a five per cent income as the veriest tyro knows that many excellent "Baby Bonds" are available to yield six to six and a half per cent. Our "Bond Buyers' Guide" published in every second issue contains a list edited by one of the most capable bond experts that the writer knows of, and the list represents the sifting of the finest material from among hundreds. Reliable banking houses, bond houses, investment bankers, and dealers in municipal and other bonds compile lists with frequency which are available to every interested investor.

A postage stamp brings these opportunities to your door, and the average investor who cannot place his money safely at six per cent is unmindful of his own interests in failing to study the available material at his disposal. For those who need first-aid in the field of good yield, well secured "Baby Bonds" as an initial investment, the writer suggests the following: the majority are classified in the "Guide":

American Foreign Security 5s, 1919.
French Cities 6s, 1919.
City of Paris 6s, 1921.
St. Paul Convertible 4½s, 1932.
St. Paul Convertible 5s, 2014.
Frisco Prior Lien 4s, 1950.
Colorado Southern Refunding 4½s, 1935.
Hudson & Manhattan 1st Refunding 5s, 1957.
Peerless Truck & Motor 6s, 1925.
Japanese Second Series 4½s, 1925.
Pierce Oil Convertible Debenture 6s, 1924.
Louisville Gas and Electric 7s, 1920.
International Agricultural 5s, 1932.
Seaboard Airline 6s, 1945.

This is not an attempt to select an "ideal investment" but an indication that it is possible to secure a return well above six per cent and as high as seven per cent without sacrificing safety. It is, however, a suitable diversified investment in short and long term "Baby Bonds" for the sincere student of "Financial Independence at Fifty," who wishes to make a good and early start.

It can be seen that with an indicated yield of between six to seven per cent on the investment, compounded annually, the coupons being regularly clipped and put to work immediately in new "Baby Bonds," each new bond adding its fresh crop of coupons to the old annual harvest, the above table showing how $10 a month grows to over $4,000 at 5 per cent would have to be revised upward very substantially if the plan were followed out systematically from the age of twenty to fifty.

Such a conservative plan would obviate the necessity for "taking flyers" in anything of a more speculative character. The certain knowledge that the investor is approaching the ten thousand dollar notch, as he gradually draws away from the poor-house as the years go by, would not only stimulate his further efforts but *actually compel a study of investment conditions.* Such an investor increases his independence, self-respect, and good citizenship by the simple process of sane, systematic, conservative investment, aided by the subtle but overwhelming power of *compound interest.*

The "big" investor can follow the plan with equal and often greater proportionate benefit. The writer knows that many of our readers are in the fortunate position of being able to save anywhere from $100 to $1,000 monthly, and are in a position to take full advantage of the service rendered by the "Bond Buyers' Guide."

It might further stimulate the efforts of earnest gainers and savers to know that accumulations double themselves in about thirteen years at conservative rates of interest. In twenty-six years an original $5,000 should grow to $20,000; not by the easy route suggested by unreliable promoters, nor in startling but isolated cases of a fortunate speculation, but in old-school, staid, and conservative investment in six per cent bonds!

The Preferred Stocks

It may happen that the temperament of every individual reader of this series is not attuned to the rather sober business of accumulating gilt-edge (or even silver-edge) bonds for middle-age independence. Some, at least, might feel that they are already carrying their just proportion of what the

writer regards as the only solid backing for eventual safety—bonds, bonds, and still more bonds. These investors might need more excitement such as a somewhat higher yield even if the security is only silver-edge.

Two plans are offered.

THE MAGAZINE OF WALL STREET has always laid emphasis on the security, high yield, and attraction of sound preferred stocks, and often devotes many pages of an issue to this angle of the investment market. The last issue contained a special article on industrial preferred stocks yielding on an average 6½ per cent, and many previous issues contained similar selections.

Preferred stocks are probably the next best security possible for the investor who has fortified his strong box with a substantial lining of bonds. The bondholder is a creditor of the issuing corporation and his only concern need be that his debtor is earning sufficient to pay interest on its funded obligations. Good or bad times in the industry of the debtor company need only be noticed if the earnings *consistently decline* to the danger point where they might be insufficient to pay interest.

The holder or buyer of preferred stock is a *partner* and looks for his share after the creditors (bondholders and others) get theirs. He is deeply concerned in the earnings of his corporation, and if they have been sufficient for many years to pay interest charges with a good deal to spare for dividends, he can safely become a *preferred partner.*

A preferred issue is poised midway between the bonds and common stocks of a corporation, and the majority have a good investment rating. Many of them have paid consecutive dividends for many years without a break; the issuing companies are in an impregnable position, and the safety buffer is usually the substantial common stock issues held by the ordinary or *deferred* partners of the organization. Their very heavy investment and more often their voting power and supervision insures a degree of safety for the preferred stockholders equal to that found in many bonds. The higher yield of preferred stocks, which average six to seven per cent, causes the majority of investors to regard these securities as a second line of defence—where they rightfully belong.

As the majority of preferred stocks have a par value of $100 they can be accumulated by the large or small investor concurrently with, or after his principal investment in bonds is made. Issues like the following are representative of the best types, which may well be salted away with the assurance that time will only improve the blend:

United States Steel preferred.
American Agricultural Chemical preferred.
American Sugar Refining preferred.
American Woolen preferred.
General Motors preferred.
Willys-Overland preferred.
J. I. Case preferred.
Pierce-Arrow preferred.
American Locomotive preferred.
American Smelting & Refining preferred.
Bethlehem Steel preferred.
Virginia Carolina Chemical preferred.
National Enameling & Stamping preferred.
Baldwin Locomotive preferred.
Goodrich (B.F.) preferred.
Worthington Pump preferred.
Atchison preferred.
Southern Railway preferred.
Kansas City Southern preferred.
Reading preferred.

This list is not by any means exhaustive, nor even entirely representative. The writer can only indicate the possibilities in this field for solid investment, generous yields, and profit-making opportunities. The reader should make a study of the issues and compare their relative merits for himself. and ultimately dispense with first-aid on this all important subject.

The Specialist in Panics

The second plan is described by "The Specialist in Panics" (in "Fourteen Methods of Operating in the Stock Market,") who gained much fun and considerable financial advantage by

buying investment issues on gloom, and selling out on glory. I do not wish to spoil a good story by describing the method in detail, but it consisted of the simple principle of making up one's mind well in advance of a market cycle as to the securities that would be desirable at lower prices—and then buying them at or near the desired level. The end of the operation took place later, when the general public became enamored of those self-same securities at substantially higher prices. At that stage the specialist again entered the market—to sell out on the resultant glory. It might sound bromidic and trite to suggest "buying cheap and selling dear." Every one knows, or pretends to know, that it is the right idea, but very few have the energy to study long-distance opportunities, and the patience to see their ideas through to a successful consummation.

If any reader possesses these good qualities he may become a specialist in panics as a side line, and he has the writer's solemn assurance that it is an excellent business to be in—in fact the only "sure thing" he cares to recommend.

In fact, low prices for certain classes of securities are with us at this writing. Good bonds and preferred stocks are selling at or around their lowest prices in years. I doubt whether they will ever sell lower during the next decade, and there is no reason why the investor who seeks financial independence ultimately should not "specialize" right now, and take his choice among the hundreds of sound securities which must inevitably seek a better level of prices. The time to sell may not arrive for several years, but events shape fast in these cyclonic times and it is as well to have a good supply on hand in case the day of glory comes sooner than most people expect.

The Big Idea

In reproducing a typical gilt-edge investment among the common stocks—a one hundred share certificate of stock in the Pennsylvania Railroad Company—the reader is reminded that even a one-share certificate would look as good, if it stands back of the Big Idea that the writer would like to have the pleasure of sowing in The Magazine of Wall Street's investment field.

We believe that its possession would give the owner, if he is a real investor, a desire to know all about his company; all the facts, be they good, bad or indifferent. He would learn, for example, that his is the largest family of railroad share owners in the world. Over one hundred thousand people have pinned their faith to Pennsylvania, and one half of them are women; and that the number is growing from year to year. These people know that the old firm has been in the same spot since 1846, has paid dividends for over sixty years, and never sold below 40 per cent of par value in its history. Also that it has never missed, passed, or deferred a dividend, or given any one any anxiety as to his or her income. Also—

The investor in Pennsylvania, or in any other good security, will surely take the trouble to learn the rest.

VILLAGE GOSSIP

Of course yew wuz ter the Rocky Mt. Club dinner tother nite? John Hays Hammond new durn well them barkeeps with sombreros 'n red henkecheefs wuz jes plain Waldorf waiters, so he told em he'd stan drinks fer the crowd ef theyd hit im with the big pistils thet layed on the bar. John nowd he wuz safe, cuz shootin biskits an' cocktails aint no practiss fer hittin minin Inginears.

* * *

But ther boy whut made the reel noyse wuz Cole Dupont. He ran the show and sos ter get em ter shut up sos he cud talk hed shoot this durn big 44 caliber gun. The gang bein yoos ter Wall Street ways, throo up there hans cept Clarence Barron hees so yoos ter holdin hees pod he cooden ferget it long nuff ter leggo.

* * *

Bill Hazen sez, hoo is thet fresh gy shootin up the place? But wen Bill lerned twuz Dupont with mostez many millions ez Rockyfeller he sez e thot he wuz durn careless with hees powder.

Financial Leaders of To-Morrow

Never were there greater opportunities for those with brains and gumption than exist today. Unless we are greatly mistaken the opportunities which the next decade will present in the banking, brokerage and business fields will far surpass anything that this great nation has seen in its one hundred and forty odd years of existence. Those who "seize the day" will be the ones who will write their names indelibly in economic and financial history.

"Pull" and "luck" always will play a part in every man's career, but he who expects to succeed solely because of either or both of those factors is foredoomed to failure before he starts. Influence or good fortune may present an opening, but the energy and resourcefulness of the individual alone can carry a good beginning to a successful conclusion.

Herewith we present thumbnail sketches of two more young men whose names are already beginning to be heard outside of local financial circles.

HORACE BOWKER'S FIRST JOB WAS AS A LABORER AT $1.50 PER DAY

From Harvard's classic halls to the position of laborer in an evil smelling chemical fertlizer plant at Elizabethport, N. J., on wages of $1.50 per diem is the practical expression of the sublime to the ridiculous. Yet Horace Bowker seems to have made such a plunge with no permanent ill effects, for today he is secretary, a director and member of the Executive Committee of the great American Agricultural Chemical Co., capitalized at $100,000,000. Furthermore, he is president of the Bowker Fertilizer Co. and the Bowker Insecticide Company.

Born in Boston, May 13, 1877, he attended the Stone School in that city and later Harvard University. Mr. Bowker is one of those rare individuals who knew from the first exactly what he desired to do in life. The fertilizer business was a family institution (the Bowker Fertilizer Co. is one of the oldest in the business), and from boyhood his ambition was to follow in the footsteps of his forebears.

He scouts the idea that the element of chance plays an important factor in one's destinies and, contrary to popular belief, is of the opinion that great cities offer the best opportunities for the young man of today and that great corporations are always on the lookout for capable, conscientious young men. He is a great stickler for thoroughness in everything, insists on accuracy and abhors a boaster. Young men, he believes, should work hard and play hard, but work should be the primary consideration. Good health is an all-important factor. Mr.

Bowker is married and his recreations are walking and sailing—when he can get the time.

WALTER H. FILOR BEGAN AS AN OFFICE BOY

From the job of filling ink-wells and staving off book agents to the head of one of the leading Stock Exchange firms is a tremendous jump, but such is the epitomized business record of Walter H. Filor, head of the firm of Filor, Bullard & Smyth. Nor does the effort appear to have been overstrenuous, for, as shown by the photograph herewith, Mr. Filor's brow is still unmarked by lines of carking care, and he

retains a greater percentage of hair on his head than most men 43 years of age.

After graduating from the Grammar School at Haverstraw, N. Y., Mr. Filor plunged into the vortex of the business world via the wholesale dry goods house of Faulkner, Page & Co., "at the large salary of $3.00 a week," as he himself expresses it. His ambition from the very start, however, was to become associated with or to be a member of a New York Stock Exchange house. It was not very long before he was in the heart of the Wall Street district, learning how things were done by those who know best how to do them.

Those who know Mr. Filor agree heartily with him that hard work and concentration on business are far better in the long run than any pull or influence, no matter how potent.

Mr. Filor keeps himself fit by horseback riding and farming. He is a believer in the vicissitudes of fortune, but thinks the element of chance of little importance unless good luck is accompanied by persistence and hard work. He says: "The young man of today has a better chance than any young man ever had in this country before."

"ACTIVITY WILL COME WITH CONFIDENCE"—SAYS REDFIELD

WILLIAM C. REDFIELD, Secretary of Commerce, in an address before the Executive Association of Wholesale Grocers of New England, said:

"When we look at our canceled checks for taxes we are looking at something which might almost be called a financial corpse. It has done its work. It is dead. There is no life to it any more. When we look, however, at our canceled check for the purchase of a government bond, the check represents not death but life; not the end but the beginning; not an expense but an investment; not a loss but a gain. It means the beginning of a non-taxable income; the establishing of additional credit; the gaining of greater buying power; possession of a security honored by commerce and industry and acknowledged in every bank throughout the land.

"I draw this parallel, partly in order to make the further suggestion that the loan, were it not to be fully taken, might necessarily take for the needed balance the form of taxation. In other words, we are offered a happy alternative, a privilege of saving instead of losing, a privilege of gaining interest instead of paying it out. The truth is, of course, that the war is not over until we have placed this loan. It is the last of the great loans connected with the European war. Without it our work is incomplete, our credit would be impaired. It is unthinkable that the American people should fail to set their stamp reading 'paid in full' upon the obligations they have assumed.

"It is hard to break away from such an entrancing theme at the very moment when I see subscriptions leaping from your pockets but as the loan opened last Monday and so long as your good intentions endure and come to fruitage you may be let off now.

"The commerce of the country is on the whole recovering well from the reaction of the war. I had hoped indeed that it would be possible to accelerate the progress and to do away with anxious months for both capital and labor, but causes beyond my control have intervened and we must take things as they are. The buying power which is also the paying power of the United States was never as large as it is today. We have financially found ourselves. This is true from the largest banker to the humblest laborer. Few had any idea five years ago that we had as much financial power as we have shown. Business, however, although recovering, still hesitates because men are reluctant to buy upon a falling market and therefore factories are running part time and many are out of work.

"The prosperity of the farmers is certain to reflect itself in trade and as prices adjust themselves slowly to a lower level, the normal law of supply and demand which has been suspended for several years will come into effect. Business does not hesitate because things are getting worse or going to be bad. It hesitates, on the contrary, because it believes things are going to be better. The country on the whole has been economizing for two years and to this is added the fact that the people of the country were never so well able to buy and pay as they now are. Just so soon, therefore, as confidence is established that a stable basis of prices exists, business will come in abundance."

Leading Opinions

About Financial, Investment, Banking and Business Conditions

Bankers on the Fifth Liberty Loan

Needless to say the terms of the new Victory Loan were an agreeable surprise. It was generally believed that $6,000,000,000 was the goal to be attained, and placing the amount at $4,500,000,000 will cause less strain on the investment market. The other features, such as the conversion privilege and the rate of interest allowed, were unexpected and attractive.

Leading bankers are heartily pleased with the terms of the issue and predict its success. Charles D. Mitchell, president of the National City Bank, declared:

"I think that Mr. Glass has made excellent decisions, both in regard to the amount and the rates. The rates on the two issues are such that they should prove particularly attractive to all classes of investors. It is difficult to say which of the two issues will produce the greater subscriptions, but I think both will be big."

Walter E. Frew, president of the Corn Exchange Bank, said:

"The terms of the loan are such as will appeal to all classes of investors, large and small. The amount, the rate and the interchangeability of the conversion privilege, to say nothing of the character of the security itself makes the loan, to my mind, one of the most ideal investments ever offered to the public.

"From a purely investment standpoint, to those liable to pay the normal income tax, the 4¾% notes are equivalent to the individual of a 5% investment, and to corporations paying 10% normal tax, they are equivalent to an investment yielding 5%.

"The offering is most attractive and I believe the public will so consider it."

Redfield Thinks Lower Prices Necessary

A bright and prosperous future is ahead of us, but we must all place our shoulders to the wheel and remove the many annoying obstacles in the path. The profiteer must go and prices must not be sustained for the sake of large profits thinks the Secretary of Commerce. He says:

"We have a great loan to face and heavy taxes to pay, but we shall meet them fearlessly and successfully, and in a few months shall find that our faces are turned toward a bright and prosperous future," says Secretary Redfield.

"How can we help, each of us, in this period of reconstruction? One way is to talk and act as optimists, for the chief thing needed is confidence. The profiteer has no place among us now. Go after him wherever you find him! He it is who plays into the hands of the Bolshevik. He it is who provides a basis for the I. W. W.

"Do not try to sustain prices for the sake of large profit. That prolongs the agony. That prevents the return of confidence. It is better far to lose something for a month or two than to prolong the hesitation for six or eight months or a year. Business now faces an opportunity for a sacrifice, temporarily, of personal profits that the greater gain may come when the buying movement starts.. Business can aid the buying movement, can stimulate it, can bring it nearer by letting the public know it will be met halfway."

Must Increase Investments Abroad

If we are to maintain the foreign trade already secured and to enlarge our opera-

Chicago *Tribune*
THE DANGER OF REDUCING PRICES

tions in this field, American capital must flow in increasing quantities into foreign investments. Great Britain has resorted to strong measures to protect its interests, and unless we come forward freely with money we will quickly lose our favorable position. In its monthly bulletin the Federal Reserve Board will say:

"Great Britain has found it necessary to adopt strong measures to prevent further importations of commodities and withdrawal of support for sterling will tend to make these restrictions still further effective. The same situation will exist in an even more marked degree with respect to importations from the United States into Italy.

"All these conditions must necessarily exert an important effect upon our export

trade. The extent to which we can export to foreign countries lately belligerent, will depend on their ability to finance their own needs or obtain adequate assistance in such financing from American banks and bankers. Undoubtedly such assistance will be forthcoming in considerable measure, but it can hardly be expected that so tremendous a flow of goods out of the United States will be maintained as has been true for a long time past, giving us during the years 1916-1918 a favorable merchandise balance of about $9,000,000,000. The United States in order to continue as a great exporter must continue, as a great investor in foreign countries and to the extent she is able to do so her selling power will be correspondingly developed and sustained."

"Labor Troubles Nearly Solved"—Sec. Wilson

Our labor troubles are not nearly so great as agitators and some newspapers

Geo. Matthew Adams Service
WILL YOU FINISH THE JOB?

lead us to believe. Demobilization is proceeding successfully and soldiers as a whole are being rapidly placed in their former or new positions. A certain amount of unemployment always prevails, and too much stress should not be laid upon ap-essential that employment be given to those ing previous figures on the status of labor. Real industrial activity is coming, but it is essential that employmnet be given to those out of jobs now by undertaking public work on a large scale, thinks Secretary of Labor Wilson. On the subject he points out:

"If our industrial activities could be restored immediately to their pre-war magnitude, even though it might be on a post-war basis, there would be no problem of demobilization. At the time that we engaged in the war there was very little unemployment. Even in our periods of industrial activity we have in the neighborhood of a million unemployed. According to reports we are receiving from industrial centers there at at present about 800,000 unemployed in the United States. The number is not in itself alarming, because it is not greater than we frequently have in periods of industrial activity.

"We are getting nearer to the point where we are absorbing the demobilized soldiers and war workers as rapidly as the demobilization takes place. That we have not quite reached that point is due to the fear of employers and business men generally to contract for raw materials for their several enterprises at the present market prices. It is felt that substantial reductions in prices of materials will take place, with a possible reduction also in wages.

"My judgment is that there will be little or no reduction in the wage rates, that it would be folly on the part of business men to attempt any general reduction of wages, and if wage reductions were enforced it would be for only a short period, because just as sure as we get through our period of readjustment, and we are going to get through it, just so sure will we have a prolonged period of industrial activity that will create a demand for workers and will compel employers to pay as high or higher wages than they are now paying.

"To bridge over the period until we shall reach the season of great industrial activity it is essential that all public works be undertaken as rapidly as possible, in order to take care of the present labor surplus."

"Telegraph Rates Too High"—W. J. Deegan

Telegraph rates should have been reduced instead of increased, according to officials of the Postal Telegraph & Cable Co. These officers point out that the Western Union may have been in a bad way and found it necessary to increase rates, but could not do so under private ownership, as they would have to compete with the Postal at the old rate. Wm. J. Deegan, secretary of the Postal Telegraph & Cable Co., pointed out that a reduction in rates would not have hurt the earnings of the Postal company and that there are a lot of inconsistencies in Postmaster Burleson's argument. He says:

"The Western Union was operated uneconomically. Unnecessary offices were kept open and unnecessary expenses incurred. It was anything to beat the Postal. Yet the reports of the Western Union company show that the lines made more under private operation than under Government control. Practically the same system seems to have been followed under Government operation.

"Here is another nut for Postmaster-General Burleson to crack. He says we are

entitled to only $1,680,000 a year for the use of our lines, although we earned $4,269,000.

"Now, assume that is true. Then Mr. Burleson should have reduced telegraph rates over one-half and should collect only from the public what we are entitled to earn and what he proposes to pay us, namely, $1,680,000.

"Instead of that, he increased the rates 20%. That 20% on $4,269,000 is $853,800, which, added to the $4,269,000, makes $5,122,800. In other words, Mr. Burleson says we are entitled to earn only $1,680,000, yet he proceeds to raise rates so that our system must earn $5,122,800. How does he reconcile all this?

"What is he going to do with the difference between $1,680,000 and $5,122,800? Does he intend to turn it over to the Western Union Telegraph Company?"

Export Activity Feared by British

The best evidence that American business men are taking advantage of the opportunity afforded in the export field is the fact that the British subjects are complaining to their government that if something is not done the Americans will replace them almost entirely in the export field. The British Government is particularly concerned about its trade in the Far East, and preparations have been made to send special missions to China and other countries in the Orient. As one London paper sees the situation:

"The activity of manufacturers in the United States of America and the keen commercial instinct with which they are seeking to revive old and secure new markets for their goods have led to many complaints that British manufacturers are being left far behind in the struggle for the markets of the world.

"To British residents abroad it is peculiarly exasperating to see American business houses taking up premises in, say, Scandinavia, for the purpose of trading direct with large firms in Norway, Sweden, Denmark and Finland, and, with an eye to the future, establishing a jumping off place from which they will be able to establish themselves in Russia when that country is once more in a sufficiently settled state to permit of trading relations being re-established. The same complaint is being made by Britons in all parts of the world, that the American manufacturer is very much to the fore, while nothing is seen of his British competitor."

"Private Ownership Best"—Col. Byllesby

If Public Utilities were protected by proper legislation and given a chance to earn a fair return on the investment, the community which it serves would get the maximum service. In defending private ownership Colonel H. M. Byllesby, in a telegram to the Oklahoma Utilities Association, said:

"The trend of events in the utility situation is one which should command our most earnest, thoughtful and active attention. It seems to me that only two courses are open to the utility business: first, that the laws be so adjusted as to enable these companies to make such a fair return upon their investment as will enable them to find capital continuously for the further extension of their enterprises which the growth of the community served and the improvements in the art render increasingly necessary. These laws and regulations at the hands of commissions or other properly authorized bodies should encourage in every proper way the spirit of enterprise and provide

Brooklyn *Eagle*

WE'VE GOT TO CLEAR THE ROAD

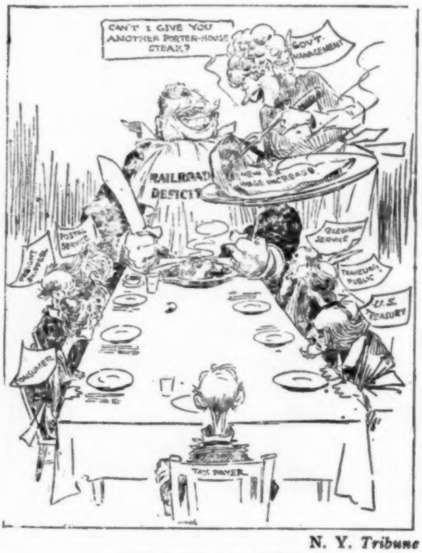
some profitable return beyond the mere bare interest on the cost of the properties in order to bring to bear the very best inventive and enterprising capacities of all those engaged in this business.

"If the laws and regulations cannot provide for this situation then the only alternative, it seems to me, is that the various communities should take over the properties at a fair and suitable compensation to the owners, as I am confident that at bottom no real American wishes to rob anyone or to take possession of any property without making due, proper and fair payment therefor. This latter course is one which I sincerely trust will not be adopted, as it involves all the evils which years of experience have shown always attach to governmental operation of enterprises of this nature.

"The very best results to the community, to those who pay for the service rendered, will be found as always in private ownership, where this ownership, while being regulated along proper lines, is still allowed full scope for the exercise of ingenuity and enterprise; and in order to do this they must be allowed, as I have previously stated, not only a standard return for the capital invested in other enterprises of an at all similar nature, but in addition to this some fair, reasonable allowance to compensate for the exercise of painstaking continuous industry, ingenuity and enterprise."

Investment Trusts to Aid Foreign Financing

That it will be necessary for this country to emark on foreign financing on a large scale is generally conceded by most bankers and business men. Investment Trust corporations in the United States, formed for the purpose of purchasing foreign securities along the lines of similar companies in Europe will provide the best and easiest medium for such operations. These investment trust corporations should be formed as soon as possible thinks Leopold Frederick, treasurer of the American Smelting & Refining Co., and he says:



N. Y. *Tribune*

THE STAR BOARDER

"With the slowing down of industrial activity in the United States the managers of the plants whose capacity had been so enormously enlarged during the war are beginning to turn to the field of foreign trade in order to find an outlet for their products. On the other hand, foreign nations, especially those that had to bear the brunt of the terrible conflict in Europe, are looking anxiously to the United States for help in their reconstruction problems. They need cotton, copper, steel, machinery and many other of our products. They lack, however, the ready cash and credit to pay for their purchases.

"It has been suggested several times during the last few months that there should be established in the United States investment trusts, which institutions would be great factors in the education of the American investor to the value of foreign securities.

"The investment trusts under discussion are nothing else than holding companies for foreign securities.

"These investment trusts work on the insurance company plan, selecting securities from all parts of the world. The Investment Trust Corporation, Ltd., of London, for instance, shows in its statement for 1917 not less than 315 kinds of investments, the Second Edinburgh Investment Trust, Ltd., of Edinburgh, Scotland, 238, and the Metropolitan Trust Company, Ltd., of London, 220. These investments include foreign government issues, municipal loans, mortgage bonds, preferred and common shares in railroads, public utilities, banking, commercial and industrial corporations."

Chicago Banker Sees Better Business

Peace is the first essential in creation of general public confidence, and next fall should see the revival of business in full swing, according to F. H. Rawlson, president of the Union Trust Company. Returning from an Eastern trip he said:

"I found Eastern bankers more hopeful over general outlook than they were two months ago, when they had less apprehension over labor situation. The change followed the efforts of a large corporation to reach better understanding with employes by, in one way and another, giving men interest in the direction of business and in some sharing of profits. This policy is fundamental in producing better relations.

"It is thought money rates will rule rather firm around the present level for some months. Government requirements are responsible for this feeling, but there is no suggestion of undue closeness and commercial rates are expected to run between 5½% to 6% in New England.

"Leather interests have experienced demands from abroad, especially from Great Britain, and it looks as if leather products will not show any material decline in price for some time.

"All banks look forward to peace as the first essential in creation of general public confidence and trade activity. I believe the best opinion is that the coming autumn will find all business on excellent basis."

BUY VICTORY LIBERTY BONDS

Don't Leave the Job Half Done—An Excellent Investment for Poor And Rich Alike—Yield Very Attractive—Early Maturity Assures Maintenance of Market Values

By JACOB H. SCHMUCKLER

THE VICTORY LIBERTY LOAN campaign starts on April 21. The people of the United States are called upon to take $4,500,000,000 of these bonds. All oversubscriptions will be rejected, and allotments will be made on a graduated scale similar in general plan to that adopted in the First Liberty Loan. Allotment will be made in full for subscriptions up to and including $10,000.

The total is somewhat smaller than the amount which it had been thought would be offered. Secretary Glass in his announcement states that *this will be the last popular campaign* to sell Government bonds. He adds that as the remaining war bills are presented further borrowing will be done. However, in view of the decreasing scale of expenditure, the requirements of the Government in excess of the amounts secured from taxes and other income can readily be financed by the issue of Treasury certificates from time to time, which may ultimately be refunded by an issue of notes or bonds, but this will be done without the aid of another great popular campaign.

Terms of Issue Attractive

The loan is to be dated May 20, 1919, and is to be of short term, maturing on May 20, 1923, but may be redeemed before maturity at the option of the United States Government on June 15 or December 15, 1922, at par and interest. There are to be two series of notes, 3¾s and 4¾s. The 3¾s are absolutely tax-exempt, excepting for estate and inheritance taxes, and the 4¾s are exempt from state, local and Federal normal income taxes.

Both series are to be offered for public subscription, but the campaign is to lay emphasis upon the 4¾s, as these will appeal most to the rank and file of investors. A certain number of the 4¾s will, therefore, be on hand for sale and distribution. The 3¾s will appeal mostly to large investors, who will probably pay under the Government installment plan, and there will be plenty of time to deliver the definitive 3¾s before the last installment falls due with accrued interest on November 11. Other installments under the Government plan are due as follows: 10% on or before May 10, 10% on July 15, and 20% on August 12, September 9 and October 7, respectively. In addition there will undoubtedly be a number of banks and other institutions offering the privilege of partial payment and installment plans as in the previous issues.

Both series are freely inter-convertible. A man who buys the 4¾s can exchange for the lower rate issued later, and can reverse the transaction, and there appears to be no restrictions as to the number of times and when he may make the conversions. The rate of 4¾% on a United States Government bond may conservatively be called remarkable. For the man with a small income they are practically tax free, and give a "cold" 4¾% return on each dollar on the safest investment in the world.

As to the chances of depreciation in market values, they are negligible, as the term of the issue is only from three to four years. To the wealthy man, the 3¾% return is unique, and, for the reason stated above, the chances for market loss are cut down to a minimum. Again, let us suppose that through some unfortunate circumstances the income of a large investor is reduced, or that rates of taxation decline to a point where it is more advantageous to have the 4¾% bonds. He can then convert into the higher yield bond.

The rates of return on the taxable bonds correspond very closely with those on previous taxable issues, but the 3¾% offered on the complete tax free bond is slightly above the rate obtainable from the first 3½s at current market prices. This is because of the longer maturity of the 3½s. These facts bear out Secretary Glass' statement to the effect that the Treasury was guided largely by the desire to devise a security which would not only prove attractive to the people of the country in the first instance, but the terms of which would insure a good market for the notes after the campaign and would not injuriously affect the market for the existing Liberty Loans.

Why the Public Should Buy

The public should take the loan not only because it is a patriotic duty, but because it is an excellent investment. Another reason is that there is no better method of cultivating the habit of thrift than through the purchase of Government bonds. Their safety is beyond question, and the investor can rest assured that he can get his money back not only at maturity but at any time, with interest. The need of thrift and its benefits to the individual and to the country as a whole are clear to everybody, and there is no better place to make the start toward financial independence than by buying the best security in the world to yield you 4¾% on your money.

How Much Is Each District to Take?

The allotments of each of the twelve Federal Reserve Districts are:

First District—Boston	$ 375,000,000
Second District—New York	1,350,000,000
Third District—Philadelphia	375,000,000
Fourth District—Cleveland	450,000,000
Fifth District—Richmond	210,000,000
Sixth District—Atlanta	144,000,000
Seventh District—Chicago	652,500,000
Eighth District—St. Louis	195,000,000
Ninth District—Minneapolis	157,500,000
Tenth District—Kansas City	195,000,000
Eleventh District—Dallas	94,500,000
Twelfth District—San Francisco	301,500,000
Total	$4,500,000,000

The New York District is called upon to take a little more than a quarter of the total. The next largest allotment is for the Chicago District; then follows Cleveland, and the amounts decline until we come to the Dallas District, which is called upon to take $94,000,000.

An immense oversubscription should be recorded, for the loan is literally the chance of a lifetime. Indeed it is probably safe to say that such a "plum" will never be offered again.

WHY THE GOVERNMENT NEEDS THE AID OF SMALL INVESTORS

HON. R. C. LEFFINGWELL, Assistant Secretary of the Treasury, in his address before the recent Washington conference between the twelve Federal Reserve District Directors of Savings and the Savings Division of the Treasury Department, spoke of the importance of having small investors help finance the Government, because if reliance were placed wholly in those capable of buying large amounts of bonds there might be a resulting inflation of the currency.

"Many will ask why will it cause inflation if small investors do not help, and why is inflation harmful, anyway.

"The most careful estimates we have place the total income of the United States at about $30,000,000,000 in 1910, at $40,000,000,000 to $50,000,000,000 at the time we entered the war in 1917, and at $60,000,000,000 to $70,000,000,000 in 1918. The rapid increase was due in part to an actual increase in physical output variously estimated at from 15 to 30% and still more to higher prices which caused a writing up in monetary terms. Our most accurate statisticians have calculated that if the Government took all the income of all the well-to-do, say, of all those receiving incomes of over $5,000 when the war broke out, the sum total would not be equal to the $18,000,000,000 or more required for the current year. This is on the assumption of leaving nothing even for the living expenses of the well-to-do. From this it is evident that something must be secured from small investors.

"This may be done in two ways. First, people of smaller means may save to pay taxes or to buy Government bonds and savings stamps. This furnishes the Government with money to buy needed supplies and services. Or, second, if the people are unwilling to save for the Government, it is forced to adopt an inflation policy for it must get what it needs in some way if not in the best way.

"But if people don't voluntarily save and supply the Government with funds, the Government is forced to create through the banks and otherwise, more dollars or counters with which it can get needed supplies of existing goods and services. This creation of more dollars or counters of course does not increase the quantity of goods or the number of workmen in the United States."

CONVERTIBLE SHORT TERM ISSUES OF MERIT

By J. B. CORVETT

An Interesting Group of Securities Offering Attractive Possibilities

DIRECTORS and bankers are not unlike other human beings. They possess remarkable adaptability in the methods of providing the financial needs of the corporations they manage. One of their chief problems in securing the funds needed is to know the tastes and requirements of investors and the conditions of the security markets at all times and to cater to them. On the other hand, bankers, and more especially directors, are in duty bound to consider the welfare of those for whom they are agents and to try to secure capital on terms most favorable to them.

The result of these conflicting motives and interests is the immense number of types of securities outstanding and the variations in the types of securities offered on the market as the times dictate.

Barring special cases, short term bonds are a concomitant of a money market where rates are high. At such times directors and bankers figure that it is bad business to float long term bonds on which they will have to pay high interest rates for years. If they issue a thirty-year 6% bond, unless provision is made for retirement, which must usually be done at a premium above par, they have obligated themselves to pay 6% on each dollar borrowed for the entire period. It is very much to their benefit under such conditions to issue a 7% bond maturing in three or even ten years, and at its maturity to float a thirty-year bond at 4 or 5%. This obviously assumes that the course of interest rates will be downward.

During the war period the amount of new corporation financing was comparatively limited, for the reason that corporations could not and did not believe it patriotic, to compete with the Government's need for capital. With the demands for capital so heavy, rates on corporation bonds have risen rapidly since about the beginning of 1917. In addition, owing to the lack of knowledge on the part of the several Governments as to how much money they would need to carry on the war, the course of the money market was bound to be uncertain. The consequence was that by far the larger proportion of new corporation financing during the war period was in the form of short term issues. Bankers and directors did not care to issue long term bonds on which they would have to pay exceptionally high rates, and investors, fearing

TABLE I—LIST OF CONVERTIBLE SHORT-TERM NOTES

Issues	Maturity	Price About	Approx. Yield to Maturity
American Telephone & Telegraph 7-year convertible 6s	August, 1925	102 —102½	5.75%
Armour & Co. conv. deb. 6s	June, 1919-24	103½—105	2.00—5.10
Bethlehem Steel 7% notes	July, 1919	100⅛—100⅜	5.75
Bethlehem Steel 7% notes	July, 1920	101⅛—101½	5.95
Bethlehem Steel 7% notes	July, 1921	101⅜—101⅝	6.40
Bethlehem Steel 7% notes	July, 1922	101¼—101½	6.45
Bethlehem Steel 7% notes	July, 1923	101¼—101½	6.30
Consolidated Gas & Electric Light & Power of Baltimore conv. 7s	August, 1922	100½—100⅞	6.80
Interborough Rapid Transit 7s	Sept., 1921	88½— 89	12.30
Laclede Gas 1st coll. 7s	Jan., 1929	99⅞	7.05
Northern States Power (Minn) 7% notes	August, 1923	99 —100	7.30
Public Service of N. J. conv. 7s	March, 1922	96 — 97	8.15
Southern California deb. 6s	March, 1920	99 —100½	6.50

the course of the bond market, preferred early maturing issues, because early maturity is a decided protection against depreciation in current market values.

What About Short Term Bonds Now?

Analysis of the issues floated since the signing of the armistice shows a decided preponderance in favor of short term bonds. However, an especially large proportion of the offerings carries convertible features.

In Table I are presented some actively traded in convertible short term issues, all of which have been issued since November 11. Only two of them, the Standard Gas & Electric 6s and the Southern California Edison 6s; were issued under old mortgages. While no actual compilation has been made as to what proportion of total flotations these notes constitute, the relative amount is certainly much larger than we ever experienced before the war.

The next important movement in bond prices, when it comes, will be upward, and with such a condition facing investors, the purchase of notes, unless needed for special requirements, is unprofitable. Still corporations need money. The solution lies in a compromise, and that is why we have had so many convertible short term bonds in the last few months. The investor is offered the possibility of securing a stock at a fixed price, which at the time of conversion may show him a market profit or put him in a position to reap the benefits resulting from the prosperity and growth of the business, or he is offered the chance to secure a long term bond on a favorable basis. The corporation, on the other hand, is enabled to secure funds at a lower cost eventually than is possible through the issuing of long-term bonds.

In Tables I and II are represented a list of convertible short term issues and their conversion terms. The rates of return are computed as acurately as possible, but in the case of notes maturing in a few months, the giving of absolutely exact yields would involve too much labor. Those given in the table are correct enough for all practical purposes.

American Telephone & Telegraph 6s are a high grade issue. At current prices they yield only about 5.75%, and as a straight investment it is possible to secure a number of strongly secured bonds giving a larger return. The conversion privilege permits exchanging the bonds for stock at 106 after August 1, 1920, and there are some possibilities in this privilege. The prevailing high prices for the notes undoubtedly discount these prospects. Telephone stock is currently quoted around 104.

Armour & Company 6s are also a high grade issue. The bonds are convertible into preferred stock par for par after September 1, 1918. The stock is 7% cumulative, is very strongly secured, and has good market possibilities. It has advanced about three points in the last few days, and is now quoted around 105. The conversion privilege, therefore, appears to have considerable value. I prefer the later maturities chiefly because of the higher yields, although all are selling comparatively high because of the conversion feature.

Bethlehem Steel 7s, maturing from 1919 to 1923, inclusive, are, of course, of excellent investment character. The rates

TABLE II—TERMS OF CONVERSION

Issue	Terms
Amer. Tel. & Tel. 6s	Common stock at 106 from Aug. 1, 1920.
Armour & Co. 6s	Par for par into preferred from Sept. 1, 1918.
Bethlehem Steel 7s	At par into Series A 30-year 6s on 6½% basis.
Consolidated Gas 7s	Par for par into 30-year 6s, 1947.
Interborough 7s	Interborough 5s at 87½ at any time before maturity.
Laclede Gas 7s	Par for par into common; or 30-year 5s on 5½% basis.
Nor. States Power 7s	After Jan. 1, 1919, into pref. of Del. Co. at 95; common at par.
Public Service 7s	Prior to Dec. 31, 1921 into preferred at 101½.
Southern Cal. Edison 6s	Into common on basis of $1,100 for $1,000 notes.

of return available on the earlier maturities are not very attractive, but considering the first-rate caliber of the security, and the yields of over 6% available on the last three series, they are very desirable as straight investments. The notes are secured by $70,000,000 of new consolidated 30-year 6s, 1948, at the rate of $140 of bonds for each $100 of notes outstanding. The latter are convertible at par into the pledged bonds on a 6½% basis at the time of conversion. The converting can be done on the first four series until one month prior to the respective maturities, and on the series E until four months prior to its maturity in 1923. In a more normal bond market, the privilege should prove very valuable. At prevailing prices all of Bethlehem's long term obligations are selling at materially better than a 6½% basis, excepting the purchase money and improvement 5s, which are on about the same basis. These are, however, in my opinion, undervalued.

Consolidated Gas of Baltimore 7s are strongly secured, and the 6.80% return is very attractive. They are convertible into 30-year refunding 6s, 1947, at par. Under more normal conditions this privilege should prove valuable. The general 4½s, 1935, of this company in the present bond market are selling on about a 6% basis.

Interborough Rapid Transit 7s. As the exceptionally high yield clearly indicates, all is not clear sailing with these notes. They are a direct lien of the company and are secured by pledge of $61,587,000 of first and refunding 5s, 1966, the bonds being pledged at 64. The notes are convertible into the bonds at 87½ at any time before maturity. The bonds are down to about 67, and there can be little value in the conversion privilege until the New York traction situation has taken a definite turn for the better. At present the notes are to be regarded as speculative.

Laclede Gas 7s are a well secured bond and are very attractive as an investment for income return. The privilege to convert them into common stock par for par has no early value. The stock is now quoted at about 68. The bonds are also convertible into thirty-year 5s at par for the notes and on a 5½% for the 5s at the time of conversion. With better grade utility bonds selling nearer normal levels, this privilege should be of value.

Northern States Power (Minn.) 7s are a fairly well secured issue. Company has extensive hydro-electric properties. Business has been showing a steady expansion for some years. Total interest charges earned about twice over in each year since 1913. Minnesota company controlled by Delaware corporation, which is a holding property. Preferred stock of Delaware concern is 7% cumulative, and is now quoted around 90-92. Some possibilities in conversion privilege into this stock at 95, but very little value in privilege to convert into common stock at par.

Public Service of N. J. 7s are an attractive purchase for income return, and with the difficulties in the general traction situation cleared away should see higher prices. Total interest charges are fairly well protected, though the margin has been cut down somewhat in the last two years by higher operating costs. There are $12,500,000 of the notes outstanding, and they are secured by $14,000,000 of general 5s 1959 of the Corporation and $5,000,000 of Public Service Company stock. This concern operates under lease all of the electric properties controlled by the Public Service of New Jersey, excepting two small ones. The notes are convertible at 101½ into 8% preferred stock. This issue was recently authorized by the stockholders, but has apparently not been issued as yet. I should suggest holding the notes until the clouds have completely passed from over the traction situation.

Southern California Edison 6s are a well secured issue. They are not a lien on any specific property, but the company is a growing one, and interest charges are well protected. The notes are convertible into common stock around 90 at the option of the holder. The stock is paying 7% annually, and is now quoted at this price. With the company continuing its expansion, and in a stronger market for public utility stocks, the conversion privilege should be of material value.

DISTRIBUTION OF BOND PURCHASES

Part XV of THE A B C OF BOND BUYING: How the Ordinary Investor May Judge Bond Values

By G. C. SELDEN

A GREAT deal has been said and written about the diversification of investments, yet many still have a wrong idea of the real meaning of the term.

What is the object to be gained in buying half a dozen or a dozen different bonds instead of putting all your money into the one bond which appeals to you most strongly? Evidently the distribution of *risk*. Since you do not claim to be infallible, your judgment in regard to that one favorite bond might turn out to be wrong, while if you buy ten different bonds, all of which seem to you to be safe and to have good prospects for the future, the chance of your being wrong on all ten of them is very small.

Now there are two reasons why a bond investment may go wrong:

(1) Dishonest or inefficient management of the company.

(2) Bad conditions in the line of business in which the company is engaged.

Those are the two kinds of risk the investor must run; so any diversification of investments should be made with both these risks in mind.

It is not uncommon for a bond house to make up a so-called diversified list of investments which is entirely composed of different kinds of railroad bonds. There is a wide variety in railroad bonds, not only in grade but in character, maturities, section of the country covered, nature of traffic, etc. Nevertheless, such a list cannot be properly called a well-distributed investment, because it is confined to one general line of business.

For example, any one who examines the recent course of the average prices of different classes of bonds will see that railroad bonds have declined more in proportion than industrial bonds. We can hardly assume that the investor could foresee the special conditions that have worked against the railroads and in favor of the industrials. But one thing he could easily do—he could spread his investment over both classes. And if his selection of bonds does not cover more than one line of business it is not genuinely diversified.

Different Yields Not Enough

I see very little advantage in spreading an investment over high yield and low yield bonds, all of which may be adversely affected by the same set of conditions. This is often done with the idea that the high grade, low yield bonds will be safe in any case, even though some of the low grade bonds may go wrong.

But in Chapter III. I brought out the fact that the risk in high grade bonds is usually greater *in proportion to interest yield* than the risk in lower grade bonds—that the higher grades of bonds sell higher in comparison with their real value than the lower grades.

It is more logical, therefore, to obtain a wider distribution over high yield bonds in place of a narrower distribution which includes the highest grade bonds. That is, the total net results will be better in buying 30 bonds yielding 7% than in buying 10 bonds which yield 5%, 6% and 7%. Where the investment is widely distributed, the additional yield from the 7% bonds more than compensates for possible loss on one or two of them.

The real point of distribution, as I see it, applies not to differing yields but to diversification in the character of the securities, their maturities, and the lines of business in which they are engaged.

A Well Distributed High Yield Investment

The table herewith gives a well distributed high yield investment covering ten issues. No two of the bonds are in the same or even related industries, except that two railroad bonds are in-

cluded, one Eastern and one Western, and having a very different character of traffic. Maturities vary widely, and the average yield is only a shade less than 7%. The Liberty 4½s are included not only because every investment list should now embrace some U. S. Government issues, but also because they are certain to rise in price. Moreover, they are exempt from normal income taxes, which means entirely exempt for many investors.

Against most of these ten bonds the ultra-conservative investor would raise objections. He would perhaps say that Chile Copper is still in the development stage; that the Frisco has only recently been reorganized, so that its bonds have not yet become seasoned; that the German stamped Japanese bonds cannot be

	Maturity	Current Yield
Chile Copper 6s	1932	7.75%
St. Louis and San. F. prior lien 4s	1950	7.30
Japanese 4½s, German stp.	1925	6.90
Beth Steel pur. & imp. 5s	1936	6.50
Pierce Oil 6s	1924	8.25
International Agricul. 5s	1932	7.00
American Tel. & Tel. 6s	1925	6.10
U. S. Liberty 4th 4¼s	1933-38	4.75
Chesa. & Ohio conv. 4½s	1930	7.30
Republic Motor Truck 7s	1923	7.60
Average yield		6.95

sold in London, and that Japan may get into trouble with China, Russia, or the United States; that Bethlehem Steel has issued too much new capitalization recently; that oil bonds are risky because the oil may give out any time; that International Agricultural's past earnings have not been stable; that American Telephone is now under Government operation and may stay there; that Chesapeake & Ohio 4½s lack satisfactory mortgage liens; and that Republic Motor Truck is a comparatively new undertaking, which has not yet proved its permanent earning power.

All of these objections are outweighed, in my mind, by other considerations, most of which are based on the actual earnings and prospects of the companies. However, my object here is not to analyze the investment standing of these particular bonds, but to bring out the principles involved; and it is exactly because the above objections or others similar can be raised against these bonds, that they afford a relatively high yield.

Usually a Reason for High Yields

Occasionally an extra high yield is due to some special circumstance. For example, the Pierce Oil 6s are to be paid off at 105 at maturity. Most investors do not notice this, and even some statisticians supposed to be well informed figure this yield on the basis of redemption at 100. All oil bonds should be of early maturity, because of possible exhaustion of territory, and these mature in five years. So an additional five points at maturity means nearly one per cent. additional yield annually.

Sometimes, also, somebody wants to liquidate a large amount of a bond which has only a small market. This may result in its being offered considerably below its natural value for a time.

But in general an extra high yield has some reason behind it which has at least a superficial appearance of weight. The object of the alert investor is to see whether that superficial appearance has a sound basis behind it, or whether it rests only upon the prejudices of investors, or upon mistaken impressions, or—and this covers by far the largest number of cases—upon conclusions derived from the past instead of from the present and future of the company under consideration.

The price of a bond is usually slow in responding to changes in the earnings and prospects of the company issuing it. The stock speculator tries to foresee and anticipate these changes—an effort on his part which brings in its train all the curiously involved phenomena of active speculation. But bonds are too slow for him. He generally leaves them to investors, and most investors are in the habit of waiting until they are sure, and then waiting another year to allow their views to get seasoned, and perhaps waiting another year to see whether the market responds to what they believe to be the situation.

So when a company is on the down grade its bonds follow very tardily, and when it starts on the up grade its bonds lag behind. When the wideawake investor sees a bond which gives a relatively high yield, his task is to find out whether its low price is due to permanent reasons or merely to the fact that the bond has not caught up with the real condition and prospects of the company.

Where Diversification Begins

It is only after he has finished this examination and has reached his conclusions that the question of distribution arises. He finds certain bonds which give a good return and yet seem to him to be as safe as anything is in an essentially unsafe world. But just because the world is essentially unsafe he realizes that he cannot possibly foresee everything that might happen to those companies.

In many fraternal organizations the members protect themselves against loss of salary and expenses during illness, by mutual insurance. If one member is ill he draws upon a fund which has been contributed by all the members together. The risk of illness is distributed over the whole organization.

Similarly the investor should distribute his funds so that illness in the steel industry may fall upon funds contributed by the copper industry, the railroads, fertilizers, the U. S. Government, foreign governments, cotton and woolen mills, and so on. He cannot be positive that none of his bonds will ever be ill, but he can organize them into a mutual insurance company.

One other point in this matter of diversification needs to be emphasized. The distribution of his funds over ten, twenty or thirty different bonds should not lead the investor to include any bond which does not strongly appeal to him on its individual merits. He should not excuse himself for "taking a chance" by saying, "Well, after all, this is only one-thirtieth of my investment."

On the contrary, he should be able to say in regard to each bond, "I believe this bond is adequately protected and that its good yield is due to the fact that it is selling below its real value. The only reason I confine my investment in it to one-thirtieth of my capital is the inevitable mutability of human affairs"

(To be concluded.)

Foreign Exchange Made Plain

SIR: Why all this astounding ignorance one encounters about this business of the fall in sterling exchange? The principle of the thing is perfectly plain. Sterling exchange arises when a decreased exportation of Ukrainian bread-fruit, f. o. b. Przemsyl, is confronted be heavy gold exportations to South America to balance a glutted market in the desiccated-egg factories of Paraguay.

Or take the franc, not lightly as a Parisian cabby takes it from you, but seriously like a trained economist. The franc in normal health is worth 19.8 cents. This should not be confused with the .62 which represents the value of the kilometre in terms of miles. Suppose now you owe 5,000 francs in Paris in payment for jewelry and objects d'art produced at Bridgeport, Conn. In that case either you remit the required funds by cable, or by mail if you are in a hurry, or else write to explain that the income-tax has cleaned you out.

Very well. But what happens if the gold reserve in the National Bank of Zambesi is threatened by an influx of Russian paper rubles, familiarly known as Trotzky's Comic Supplements? Why, simply this: You multiply the index number for currency inflation in Czecho-Slovakia by the birth-rate in Mesopotamia, you substract the pig-iron production in Denmark from the mean annual rainfall in the metropolitan area of Belfast, you add the difference between the indemnities Germany can't pay and the indemnities she won't pay, and you serve hot or cold, according as you work for a yellow journal or for a journal of conservative opinion.

At bottom, the secret of sterling exchange cannot be solved without a through knowledge of decimal variations in the principal financial centres abroad. Thus Mexican exchange is in the ratio of 1.2436 pesos in the square mile, whereasin Lapland it is something like 2½ Lapps to the mile.

Or would you have me explain to you the real secret of open diplomacy?

Adam Smith,
in the N. Y. *Evening Post.*

Current Bond Offerings

Briefly Discussed and Analyzed

A BRIEF discussion and analysis of the more important new bond offerings will be a regular feature of THE MAGAZINE OF WALL STREET hereafter. The number of new offerings has been cut down quite substantially during the war period, and there will be very few of them until the coming Liberty Loan is out of the way. With this event over, we are inclined to believe that borrowers will be in the market with many flotations. These should include a number of very attractive purchases for all classes of investors, and the purpose of this department will be to present the salient facts concerning them. The status of each bond as to taxation will be discussed as fully as possible, and issues available in less than $1,000 pieces will be so designated.

LIST OF CURRENT OFFERINGS

Issue	*Maturity*	*Offering Price*	*Yield to Maturity*
Government and Municipal:			
U. S. Government 3¾s	May 20, 1923	100	3.75%c, e
U. S. Government 4¾s	Optional, 1922	100	4.75f, e
War Finance Corporation 5% notes	Apr. 1, 1920	100	5.00c
Wilmington, N. C., Ref. & Imp. 5s	July, 1923-'58	100.52-102.55	4.85a
Twin Falls County (Idaho) Highway District 5½	Apr. 1930-'59	102.50-103.70	5.20a
Brownsville, Texas, 5s	Nov. 1919-'58	100	5.00a, d
Oakland County, Mich., Road Imp 5s	May 1, 1920-'29	100.48-103.90	5.00a
		100.39-103.10	5.10a
Salt Lake City, Utah, Road 5s	Apr. 1, 1925-'39	101.55-103.86	4.70a
Butler County, Mo., Inter-River Drainage District 6s	Apr. 1, 1923-'38	102.13-107.07	5.40a, d, e
Railroad:			
Atchison, East Okla. Div. 4s	Mar. 1, 1928	91.46	5.20b
Buffalo, Pitts. & Roch. cons. 4½s	May 1, 1957	87.75	5.20b
Chicago, St. Paul, Minn. & Omaha deb. 5s	Mar. 1, 1930	92.39	5.95
Public Utility:			
Oklahoma Gas & Electric 7% notes	Apr. 1, 1920	99.50	7.50b, e
Standard Gas & Electric 6s	Dec. 1, 1926	96	6.60
Trumbull Public Service 7% notes	Nov. 1, 1920	98¼	7.54g
Industrial:			
Ludlum Steel 7% notes	Apr. 1, 1920-'24	96½-100½	6.50@7.50

(*a*) Exempt from Federal Income tax, including surtax. (*b*) Company pays normal income tax to the amount of 2%. (*c*) Exempt from Federal State and Municipal taxation as to interest and principal, excepting estate and inheritance taxes. (*d*) Available in $500 denominations. (*e*) Available in $500 and $100 denominations. (*f*) Exempt from State and local and from Federal normal income tax. (*g*) Without deduction for Federal income tax up to 4% so far as is legally permitted.

U. S. GOVERNMENT BONDS, VICTORY LOAN. $4,500,000,000 t obe floated in all. Oversubscription to be rejected. Two series, 3¾s and 4¾s. First exempt from all taxes except estate and inheritance taxes. Second exempt from State, local and from Federal normal income tax. Both series inter-convertible. Maturity May 20, 1923, but redeemable in 1922.

WAR FINANCE CORPORATION 5s. Amount $200,000,000. Issued against $1,000,000,000 credit given Corporation in Victory Loan Bill to help American exporters. A very desirable issue, especially for institutional investors. Exempt from State, local and Federal taxation excepting estate and inheritance taxes up to the amount of income received from $5,000 principal value. Above that amount exempt from all taxation excepting estate and inheritance taxes, surtax and excess-profit tax.

AMERICAN MUNICIPALS. Range from high-grade to medium grade. Yields very attractive for this general class of obligations. In view of exemption from Federal income tax particularly desirable for large investors. BUTLER COUNTY bonds available in denominations of $500 in 1929, 1932, 1934, 1936 and 1938 maturities. Bonds in $100 denominations available in 1937 maturity. OAKLAND COUNTY 5s, part of obligation ot entire county yield 5.00%; part of obligation of township only 5.10%.

RAILROAD BONDS. Old issues, but all high-grade. Small blocks offered at attractive yields. Bargains, especially Omaha deb. 5s. All of these should see better prices in a more normal market for corporation bonds.

OKLAHOMA GAS & ELECTRIC 7% notes. An attractive short-term issue. Amount offered $2,500,000. To retire present issue of like amount of 6% notes due June 15, 1919. Interest charges well protected, and mortgage carries effective restrictions as to increasing amount of this issue or other indebtedness. An underlying issue of the Standard Gas & Electric system.

STANDARD GAS & ELECTRIC 6s. A well secured bond which has good possibilities for an improved investment position and higher market values. Total interest charges earned about twice in 1917 and 1918. Secured or presently to be secured by deposit and pledge of bonds and stocks of underlying companies. Market value of collateral conservatively placed at $20,000,000. Convertible at the rate of $110 of bonds for $100 par value of preferred stock.

TRUMBULL PUBLIC SERVICE 7% notes. An underlying issue of the Cities Service system. Interest charges strongly protected. A direct mortgage on all of the company's assets subject to only $1,500,000 bonds already outstanding. Convertible par for par into 7% cumulative preferred stock.

LUDLUM STEEL 7% notes. Company manufactures tool steel exclusively in furnaces of its own special design. Plant at Watervliet, N. Y. Net earnings for last three after Federal income taxes average about five times interest charges on these notes, which are the only founded debt of company. Notes issued to provide additional working capital. Stated plants are now operating at full capacity. Maturity for 1920 yields 6.50% to 7.50% for 1929 maturity.

Investment Inquiries

(All inquiries should be accompanied by a self-addressed envelope to receive attention.)

UNITED STATES STEEL

Not Attractive at This Level

United States Steel at these prices, we are inclined to believe, is a sale. There is much talk about the discontinuance of all extra dividends after the next dividend meeting and the present conditions in the steel industry would lend strong support. As a straight 5% dividend payer at prices above 90, we are not inclined to think very favorably of United States Steel as a holding for income return, and its speculative possibilities are limited until there is a decided improvement in the steel situation.

UNION BAG AND PAPER 5s

A Good Investment

We consider Union Bag and Paper Corporation 5s of 1930 to be safe, as the company has no preferred stock and is in a very strong position, the dividend having been resumed in December, 1916, and the company had paid substantial extras since that time. One possible objection is to the inactivity of these bonds and the likelihood that in an active bond market your investment might not appreciate so rapidly as other active issues. As a strict investment, however, Union Bag bonds seem for the holder who only cares for a good income and relative safety to be entirely safe and very attractive.

INTERNATIONAL HARVESTER

Has "Concealed Equities"

International Harvester is a long pull business man's investment of attraction, has good possibilities and it also carries substantial prospects that the dividend will sooner or later be increased. The company has large "concealed equities" which make the shares more valuable than would appear from market quotations. Although the market is in a top-heavy condition, we believe that Harvester is in a position to resist adverse influence. We would suggest a part of your purchase now and the remainder when conditions are less hysterical in the market.

COLUMBIA GRAPHOPHONE

Stock Still Has Possibilities

Columbia Graphohone was discussed in the March 29th issue of the Magazine, and we suggest that you study the article before purchasing. The author came to the conclusion that the stock at present prices has not discounted the new dividend situation, which is explained very carefully, and we believe that you will agree after you have read the story that the stock is attractive at present prices.

AMERICAN TEL. & TEL. COMMON

A Switch into 6% Convertible Bonds Suggested

American Telegraph & Telephone Co. has always been regarded as a good investment. The company has a long and honorable record. Its dividend of 8% is apparently a fixture, and the stock has never sold below 90, excepting in the panic of 1907. Its usual range is between par and 125. It now sells around 105.

However, we prefer American Tel. & Tel. convertible 6% bonds, which at 103 yields 5.45%. The special feature of this bond is that it is convertible after August, 1920, into stock at 106. By holding the bonds you really have a call on the stock from August, 1920, at a very low price, meantime enjoying the safety of the bond. The yield is low in holding the bond, but you have strong compensation in safety and convertibility.

SOUTHERN PACIFIC CONV. 5s

An Investment with Possibilities

Southern Pacific Conv. 5s are convertible into common stock until June, 1924, at par and are "callable" at 105 after June 1, 1919. There is no occasion to convert the bonds at the present time, as in the event of extra dividends, which are not yet in sight, you would have time to convert to participate in such extras.

The advantage of holding the bonds is that you have much better security for the investment, and in the event of a serious decline in the market we doubt whether these bonds would decline to as great an extent as the common stock. We doubht whether the large holders of the bonds are converting them into stock, and we suggest that you hold your bond meanwhile.

WESTINGHOUSE ELECTRIC

Dividend Secure

Westinghouse Electric is well regarded as a long-pull proposition. We believe the dividend on the stock secure and that under more normal conditions the shares should see better prices. The company is conservatively and efficiently operated and has good prospects for its peace business.

There are a number of reports that the company is liquidating its European investments on very favorable terms, and if this is so the position should be benefitted.

NEW HAVEN DEBENTURES

Should Not Be Sold at a Loss

New Haven Debentures are a speculation, but as these come ahead of the common stock, in spite of the difficulties of this road, we believe you would be entirely justified in holding rather than selling now. The

company has not been able to show anything for its common stock, but for the past three years interest charges and taxes have been covered by a small margin, and in 1917 totaled about $31,000,000 for income, while charges, etc., totaled $28,700,000 approximately. This left nearly $2,500,000 for dividends on the common stock. While the outlook is not very rosy, still from the above figures one is justified in assuming that the debentures are not to be sacrificed at a loss. If you can get out with a nominal loss we believe you can make up the difference by purchasing other good bonds and preferred stocks mentioned in our April 12th issue.

We would switch the common stock into International Nickel or Willys-Overland, which have better prospects.

AMERICAN BOSCH MAGNETO

Investment for a Business Man

American Bosch Magneto Company is a conservative, old-established concern, its products are standard throughout the world and the company has a demonstrated earning power. We regard the shares as a semi-investment suitable for the funds of a business man. We believe the dividend to be safe and that during the next four or five years the company should not only be able to earn its dividend by a wide margin, but also be able to increase same as time goes on.

We have no recent statement of earnings since the company was taken over by the Alien Property Custodian. Any developments i nconnection with this company will appear in the "Financial News and Comments" section of the Magazine. We suggest that you watch these developments carefully.

LACKAWANNA STEEL

Investment Future Not Certain

Lackawanna Steel has now declined from around 100, where it sold in 1916, and as a 6% stock it is not too high around 70. The only distinguishing feature is the steel situation and the fact that this company has been war prosperous.

During the war period it was able to show very large earnings and pay handsome dividends. It was unable to make much of a showing between 1912 and 1915, either in the way of prices or dividend payments. Lackawanna Steel should sell higher under favorable conditions, and if the stock should advance between 10 and 15 points, we believe it would be a sale rather than a purchase, as its investment future is not too sure. If you have a profit we would suggest that you sell half your holdings, retaining the balance as a permanent semi-investment.

I. R. T. 7% NOTES

Ought to Be Held Now

Int. Rapid Transit 7% Notes were discussed in connection with the "New York Traction Situation" in the last issue of the Magazine.

We agree with the author that the traction situation is likely to improve, and this is hardly the time to sacrifice bonds of this character, but to hold, awaiting the outcome of further developments. We do not believe that the bonds will decline very much further, and the prospects favor better prices, as the majority of timid holders have probably sold by now and a smaller quantity of these notes will be coming upon the market in the next few months.

MAXWELL 1st PFD.

Dividend Should Be Restored

Although Maxwell 1st Pfd. is not a bargain and a non-dividend paying stock, the prospects favor that the 7% dividend will be restored sooner or later, and regardless of market action the stock should again sell substantially above present levels. You have apparently held your stock through a long decline, and it is not good policy to liquidate just as soon as the company is commencing to "see daylight." The stock may decline again after the present rally in the market is over, but eventually it should establish itself as a sound investment.

BOOTH FISHERIES

A Long-Pull Investment

Booth Fisheries earned $1.89 a share in 1918, compared with $6.58 a share in 1917 and $15.84 in 1916. Net profits in 1918 were $2,217,677, which compares with $3,388,829 in 1917. But the 1918 showing was almost double that for 1915, and the difference between 1918 and 1917 was largely accounted for by heavy depreciation and interest charges, taxes, etc. The average showing for this company has been about 8¾% for two years, compared with a dividend average of about 3%.

The stock is an attractive long-pull investment, and the present dividend looks fairly well secured for a long time to come.

PRESSED STEEL CAR

Earnings Position Not Established

Pressed Steel Car is now an 8% stock, and it is certainly cheaper than American Car Founderies at these levels, and if we were in a position to favor companies that have been war prosperous like Pressed Steel Car and American Car & Foundry, our preference would be for Pressed Steel Car. Taking the figures for the past five years, net profits between 1914 and 1918 have increased by leaps and bounds, from about $1,000,000 in 1914 to $1,500,000 in 1915, $3,500,000 in 1916, $3,000,000 in 1917 and $4,-800,000 in 1918. These figure are approximate.

The 8% dividend requires about $1,000,-000 and is therefore being earned about four

times. It must not be overlooked, however, that the company had a very irregular dividend record before 1916 and that such dividends are really being paid out of its war earnings. The stock is in a good position to advance somewhat in a buoyant market for equipments, but is not considered a conservative investment.

The low price at which the stock sells indicates its speculative character, and while we believe it has good possibilities for a 10 or 15 point advance in a bull market, we could not suggest a purchase without reserve unless the purchaser is prepared to assume a fairly substantial speculative risk.

NEW CORNELIA COPPER

A Low Cost Producer

New Cornelia is a subsidiary of the Calumet & Arizona Copper Co. The company owns fifty-five claims at Ajo, Arizona, which constitute its ore body. It also owns other claims for its machinery, etc. The property is being developed by the C. & A. and its ore reserves are over 50,000,000 tons of carbonate ore carrying 1.58% copper. The property is well equipped and the management high grade. Its capitalization is $8,000,000. Par $5.00. C. & A. owns the majority of the shares.

The company is a low cost producer. The life of the property is estimated at fifty years. Undoubtedly it is very substantial.

These shares have never done much market-wise, due to close control, but in any copper boom we expect to see New Cornelia sell much higher.

INTERBOROUGH-MET. COL. 4½% BONDS

Holders Should Await Further Developments

We would not be inclined to hurry about depositing the Interborough-Metropolitan Collateral 4½% bonds with the Protective Committee, as it proves good policy generally to wait a little before doing so, as the depositors may get better terms. We cannot see any reason for your banker charging you with 97 days' interest on the bonds, namely, from January 1 to April 7. Interest on the bonds is payable on October 1 and April 1, and if you were to be charged any interest you should have been charged with the amount accrued on the coupon due April 1, and also for the seven days from April 1 to April 7. We see no reason, however, why he should have charged you any interest at all, as the bonds are in default and should therefore be quoted flat.

There are protective committees for all of the New York Railways bonds, and we believe you would do well to deposit your bonds later with the respective committees. We do not know specifically in what issues you have invested your $15,000, but as you state that they are nearly all rails and utilities, we would be inclined to reserve any definite advices until we are in receipt of a detailed list of your holdings.

INTERNATIONAL NICKEL

A Good Long Pull Proposition

We think well of International Nickel as a long-pull proposition. The company has a virtual monopoly on the production of nickel in the United States, and is one of the largest owners in Sudbury (Ontario) Matte Fields, which is the chief source for the raw material of nickel in the world. The company has been facing a curtailment in the extent of its business with the cessation of hostilities, but when the demand again becomes large from the automobile and steel industries its business should take a decided turn for the better. We do not look for a reduction in the dividend, and we are inclined to believe rather that in time the disbursement on the stock should be increased.

AMERICAN COTTON OIL

A Peace Stock of Promise

American Cotton Oil dividend of 4% appears to us to be entirely safe, and there are rumors that this dividend may be increased to 6% in the not distant future. The stock is exceptionally strong at this writing, and looks as if it is seeking a higher level. It is a "peace stock" of some promise.

AMERICAN STEEL FOUNDRIES

Company War Prosperous

American Steel Foundries is in the "war" class, but the big thing in favor of this company is the fact that it has one class of stock and only a very small issue of bonds. War prosperity has been discounted in its great advance in price from pre-war levels, and the increased equities earned during war times are partly included in the current price. While the dividend of 8% may be maintained for some time, the selling price of the stock warns that this dividend may not be permanent.

The shares still have speculative possibilities at these levels, but we cannot confidently suggest a purchase out of regard for the irregularity of the market and the prospect that the present advance may not be maintained.

PITTSBURGH COAL

Stock Not Seasoned

Pittsburgh Coal is not a seasoned dividend paying stock and the company had a very poor record of earnings for the common stocks during the pre-war period. No dividend was ever paid on the common until March, 1918, and the prosperity of the company was due to the war. Although the company is now earning about $12 a year, practically nothing for the common stock in 1917 and only $4 a share in the fiscal year of 1916, we would not regard the dividend of $5 as secure, and in our opinion the shares are not in the investment class as yet.

THE FERTILIZERS AND PEACE

By JOHN MORROW

End of War a Boon to Agricultural Companies—American Agricultural Chemical, Virginia-Carolina and International Agricultural Representative Issues—Their Comparative Worth and Prospects—Position of Securities

IN the search for stock representing companies which are in position to benefit by the readjustment and reconstruction of the world's industry and production, merited attention has been centered upon the fertilizer concerns. The world food conditions, and the appreciation of the big part that foodstuffs production will play in the next few years has influenced well directed buying of the shares of such companies as American Agricultural Chemical, Virginia-Carolina Chemical and International Agricultural Chemical.

Securities of these three corporations are active upon the New York Stock Exchange, and in the main they represent to investors and traders the American fertilizer industry, whose importance has been sharply emphasized by the world war, and resulting conditions.

These companies do not represent new concentration of capital, but in their present position they do represent an accumulation of profits derived from big business of the past few years, and also stand for opportunities to be realized in the necessary endeavor that Europe must make to restore the food production of pre-war days.

In the early part of 1917, a German scientist made the boast that Germany could regulate the food supply of the world through her potash resources. Now the talk is not so much of Germany's potash resources, as of Europe's need for phosphate rock to replenish an exhausted stock. This is a necessary component of soil nourishment, and the American companies are strong in their possession of a plentiful supply.

Usually, farmers in this country have not bought fertilizers unless high prices for food products prevailed, and they were in a comfortable cash position. The farmer to-day is assured of high prices for his crops, and his financial condition is strongly intrenched.

American Agricultural Chemical

The three chief fertilizer companies are not equally strong, but they have shared, and are sharing, proportionately in big earnings. The American Agricultural Chemical Co. is perhaps the best known, and its earnings record, even in pre-war days, has deserved respect. Incorporated in 1893, the company now owns and operates 55 plants scattered throughout the United States, and in addition owns 118,000 acres of phosphate lands in Florida, which contain 85,000,000 tons of phosphate rock. It has been estimated that this supply will be sufficient for perhaps 300 years.

TABLE I.—PRICE RANGE AMERICAN AGRICULTURAL CHEMICAL SHARES

	Preferred		Common	
	High	Low	High	Low
1913	99	90	57	41¼
1914	97½	90¼	59½	47¾
1915	101⅛	90	74½	48
1916	103¼	96	102	63
1917	103½	91	95½	72
1918	101	89⅛	106	78
1919*	108	98	110¾	99⅞

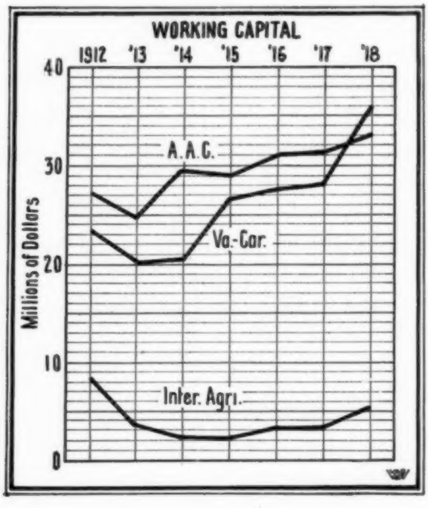
* To April 12.

The fiscal year of the company ends June 30, and up until, and for some years previous to the fiscal period ended June 30, 1915, annual earnings on the common stock had been running from 5 to 10%. Dividends at the rate of 4% a year were started in 1912. Beginning with the 1915 fiscal year business started vigorously ahead, until the record was reached last year when $35 a share was earned on the common. During this period of fast growing business, the company did no financing, and as of June 30, 1918, notes payable totaled

$17,000,000, representing an increase of $13,500,000 over the previous year. Gross sales had in the meanwhile increased something like 60%, and it was obvious that a corrective was necessary to increase permanent capital.

As a result $9,500,000 additional common stock was offered common and preferred stockholders for subscription at par at the end of 1918, and this offering was well taken. It is noteworthy that the company was able to finance its need, through stock, and so demonstrate the inherent strength of the organization.

Dividends at the rate of $8 a share a year were inaugurated in September,



1918, and this decision of directors undoubtedly made it easier to offer the subscription successfully. As to the margin of safety for this dividend, it may be added that in the ten years ending June 30, 1918, annual average earnings on the common stock were $13.60 a share. For the four years ended June 30, 1918, total earnings per share upon the common were $87.60, and of this only $18.50 were paid in dividends, leaving over $69 a share as additional equity.

Another feature of operations during the past few years was the action of the company in writing off from earnings for the 1916 fiscal year the sum of $4,193,112, which had represented the good will, patents and brands account upon the balance sheet. This account now stands at $1.

Interests identified with American Agricultural say that the company has had to make slight readjustment to get on a peace basis. It is claimed that 100% of possible production will be in demand for 1919 and there is also the possibility of the resumption of the export of phosphate rock at an early date. Business of the fertilizer companies has been largely seasonal; that is, the bulk of revenues comes in in the first six months of the calendar year, but in the six months ended December 31, 1918, American Agricultural earned a respectable balance for net, and the attempts of the company to spread business over the year instead of having it concentrated in a few months has apparently met with satisfactory results.

As a result of the new stock offering of last November, the company has now outstanding about $28,000,000 common stock, which is preceded by $29,276,000 6% cumulative preferred stock, and a total funded debt of $15,945,000. As both the bond issues are convertible the tendency may be to decrease funded debt, and to increase share capitalization. The ten-year 5s due 1924 are convertible into common stock at any time, par for par, and their market price closely follows the quotations for the stock. These 5s now selling around 108 may be too high from an investment standpoint, but each bond really represents a call on ten shares of common, good until 1924.

The first mortgage convertible 5s due 1928 are convertible into the preferred stock, par for par. Both issues are safe as to principal and interest, and their convertible features give an added attraction, especially when the excellent position of the company is considered.

The 6% dividend upon the preferred has been paid since 1899, and the stock may properly be classed as one of the high grade industrial issues. To April 11 the common had gained about 10 points from the low of this year, but in the neighborhood of 108 does not

seem to have fully discounted all of its possibilities. It may be that not all of the additional stock has been definitely absorbed, and also as the 5% bonds are converted the floating supply is increased, but these factors do not seem important enough to injure the position of the stock.

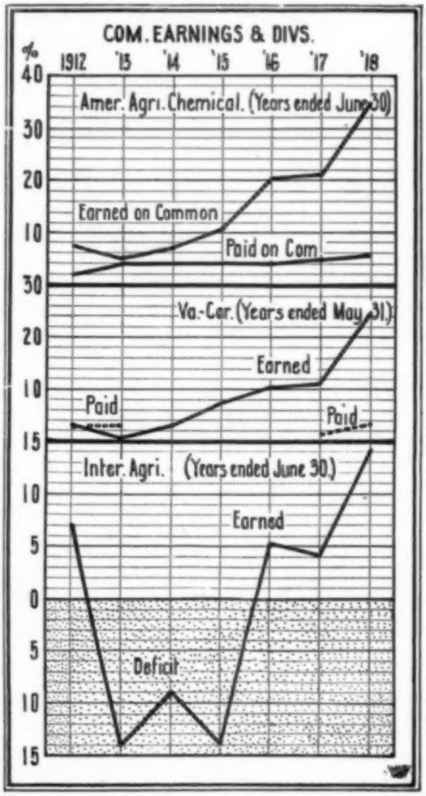
Virginia-Carolina Chemical

While Virginia-Carolina Chemical Co. has not had the earnings record that American Agricultural has had, and has not been able to do as well for shareholders as that company, its large earnings of the past three or four years has brought substantial attention to the status of the corporation. The main plants of the company are located in the South, and cotton planters are numbered among its largest customers. Naturally the high prices for the staple of the South, and the resulting prosperity of the planters has induced freer buying of fertilizer than usual. Although prices per ton have risen, the comfortable financial position of the farmer has enabled him to purchase fertilizer and to pay for it on shorter time than previous to the war.

It has been estimated that Virginia-Carolina does something like 20% of the fertilizer business in this country, and the majority of orders are received from the cotton growing regions. The company has a "side line" that in the last few years has developed into a substantial addition to revenues. This "side line" is the ownership of the Southern Cotton Oil Co., which refines and manufactures cotton seed oil, and also controls the Wesson Co. The increased demand for edible oils has brought its reflection to the business of the Cotton Oil Co., and enlarged revenues of the proprietary concern. Practically all of this development in earnings during the past few years has been the result of domestic business.

With the signing of peace, exports should be resumed and a source of revenue will be added which has been mostly blank since 1914. Like its competitors, Virginia-Carolina owns extensive deposits of phosphate rock. Over 68,000 acres of phosphate lands in Florida, South Carolina and Tennessee are owned by a subsidiary of Virginia-Carolina, and the supply of this important soil nourisher is assured.

Virginia - Carolina has experienced rather an irregular earnings record, particularly as applied to the common stock. The company was able to pay dividends on the junior shares from 1893 through 1903 at annual rates varying from 1% to 4¾%. From 1904 to 1908 inclusive nothing was paid, and then from that period through 1913 earnings were large enough to warrant various disbursements which never exceeded 5% in any one year. In 1914-15 and 1916 common shareholders received nothing, but in 1917 the rate was 3%, and was raised to 4%, the current rate in 1918. In addition 2% extra dividends were paid in 1918 in Liberty Bonds.



It is to be noted that almost two years

and a half of good business had been enjoyed before payments were resumed in 1917, and then the rate was most conservative. In the three fiscal years ended May 31, 1918, the company earned a total of $45.55 a share on the common stock, and disbursed only $4.50 a share in dividends.

Such conservatism may have been made necessary by the great growth in the volume of business. Gross sales increased quite 100% in the period from 1914 to 1918, and the company did not have to resort to any permanent financing to handle the increased volume. Early in 1914 $5,000,000 ten-year 6% bonds were sold, but the necessity for that issue was not predicated upon the large business that the war brought.

Virginia-Carolina has an interest in potash properties in Germany, the exact status of which is unascertainable at the present time, and any possible losses on that investment may not be estimated.

The domestic business is not done on a large margin of profit, as the following will indicate. In the year 1913-1914 the percentage of net profits to total turnover was 4.19%; whereas in the 1917-1918 year it had increased to 6.85%, not an extremely large margin for those piping months of profit garnering.

The total capitalization of the corporation is about $65,000,000. Ahead of the stock issues are two issues of bonds totaling $16,900,000. There are outstanding approximately $4,609,383 sinking fund convertible 6s due 1924, and $12,300,000 first mortgage 5s due 1923. Both of these issues appear well secured, as the margin over interest charges, even in the leanest years, was sufficiently large to make the position of the bonds comfortable. The sinking fund 6s are convertible into preferred stock at 110 up to October 15, 1922.

Dividends of 8% upon the preferred stock, which are cumulative, have been paid since 1896, but in 1915 4% was paid in scrip which was redeemed a year later. This issue, selling at present to yield about 7%, is among the attractive industrial preferred stocks, and may be recommended.

In the neighborhood of 60, the common does not appear especially cheap for a $4 stock, but the speculative possibilities and the confidence with which fertilizer stocks are regarded suggest that there are still opportunities which have not been discounted.

International Agricultural Corporation

From the standpoint of earnings, International Agricultural, the youngest of the three fertilizer companies, is not in the class with the two older concerns. Incorporated in 1910, there have been two fiscal years, in which deficits after charges were reported. These occurred in the years ended June 30, 1913 and 1915. It was not until the last fiscal year, the period ended June 30, 1918, that earnings upon the common shares were really substantial.

The record of the company has been so irregular that its stocks have not gone beyond the speculative stage, although the preferred is beginning to be looked upon with more favor than at any time since 1913. The price range table will show the severe fluctuations to which the preferred and common stocks have been subjected.

TABLE II.—PRICE RANGE VIRGINIA-CAROLINA SHARES

	Preferred		Common	
	High	Low	High	Low
1913	114	93	43⅛	22
1914	107½	96	34⅞	17
1915	113⅞	80	52	15
1916	114½	108	51	36
1917	112¼	97	46	26
1918	113⅝	98	60¼	33¾
1919*	114½	110	62½	51

* To April 12.

The majority of the company's plants are situated in the South, and in Florida it has possession of some 3,300 acres of land which are said to contain 7,500,000 tons of phosphate rock. In addition, International owns about 39,000 acres in the same State, part of which have been prospected, and on that showing deposits of 34,000,000 tons of phosphate rock are indicated.

International is known for its large interests in German potash lands. Prior

to the enactment of the German Potash Law all of the stock of the Sollstedt Mines was owned, but as a result of that law the company sold half of its stock in the German company and gave an option on the other half. The war came before the negotiations were concluded, and the whole matter, as far as is known, is still in suspense.

As is well known, sulphuric acid was in great demand for war purposes, and through the contract with the Tennessee Copper Co., International came into a most satisfactory position. The Government finally fixed a price of $16 a ton for sulphuric acid, but the price now is around $9.50 a ton. The falling off in the demand for the acid following the armistice has undoubtedly influenced earnings, and it remains to be seen whether the sales of fertilizer will enable the company to make a good showing for stock. In the year ended June 30, 1918, $12.28 a share was returned upon the junior issue. The company took account of possible losses in the German potash investment by writing off an unstated sum against this item.

TABLE III.—PRICE RANGE INTERNATIONAL AGRICULTURAL SHARES

	Preferred		Common	
	High	Low	High	Low
1914	36	13	10½	4
1915	71¾	8	29¾	5½
1916	74	37	29⅞	11
1917	60½	26¼	1⅞	7¾
1918	65	38	19	10
1919*	77	48	21⅝	10½

* To April 12.

The improvement in earnings was needed to bolster the company's financial position. At the end of the 1915 fiscal year, a profit and loss deficit amounting to $975,000 was reported. This had been changed to a profit and loss surplus of $1,805,000 at the end of the 1918 fiscal year. In addition working capital was in better shape. The company has done no recent financing, and is now said to be doing a most satisfactory fertilizer sales business in the domestic markets. The company recently organized the Phosphate Export Corporation, under the Webb Law, through which foreign business will be handled.

International has one bond issue outstanding consisting of $10,275,000 first mortgage 5s due 1932. Interest upon these securities has always been covered, although for a few years the margin was slight. They now appear to be in a much improved position, although they may perhaps not yet be classed as absolutely high grade.

Although the $13,055,000 preferred is a 7% cumulative issue, there is something like 38% due upon the issue in accumulated dividends. In 1913 payments were suspended, and not resumed until July, 1918, when disbursement of 1¼% was ordered, or at the rate of 5% annually, which is still being paid. A committee has been appointed to devise some method for liquidating the back payments upon the issue, but nothing is expected for some time to come. In the mean time the stock appears to be a good semi-speculative issue, and really cheaper than the common, despite the wide difference in price.

No dividends upon the common have ever been paid, and the stock at present quotations represents a substantial advance from the low of earlier this year. Its speculative possibilities would seem to be based upon the continuance of good earnings, despite lower returns from the sulphuric acid sales, and upon the satisfactory settlement of the claims of preferred stockholders for their deferred dividends.

MEXICAN OIL SHIPMENTS

EXPORTS of oil from Mexico for March were as follows: Island, 699,000 barrels Mexican Petroleum, 637,000; Standard Oil, 620,000; Cortez (Port Lobos), 497,000; Mexican Eagle, 330,000 exported and 500,000 coastwise.

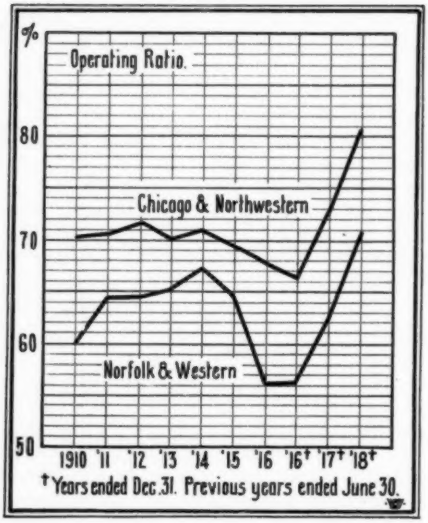
TWO PROSPEROUS RAILROADS

By GEORGE S. HAMMOND

Comparison of a Typical "Granger" and "Soft Coaler"—Chicago & Northwestern the "Pennsylvania of the West"—New York & Western's Big Coal Business—Position of Securities

IN the rough classification of American railroads according to the dominant character of their traffic, we find among others the appellations "granger" and "soft coaler."

Decidedly typical of the best of these two are the subjects of the present study —the Chicago & Northwestern and the Norfolk & Western. The former is frequently referred to as the "Pennsylvania of the West" because of the superior character of its facilities and service. The Norfolk & Western is no less deserving of this comparison, and in fact its policies and methods are closely allied to those of the Pennsylvania Railroad, which is the largest stockholder, though not in direct control.



Northwestern's Lines and Traffic

The Chicago & Northwestern is one of the very few railroad properties in this country which has existed for over half a century without change of name.

As a pioneer road, it has been able to attain a pre-eminent position in its territory. The density of traffic is not particularly large, however, gross revenues being $10,000 to $13,000 per mile prior to 1918. This is due to the large amount of branch lines which, as feeders, are a source of strength to the company.

The main lines do an excellent business, particularly those to the Twin Cities and to Omaha. The former is almost all double track, the latter entirely so. Around Chicago there is nearly 100 miles of four track road. In direct tonnage carried, agricultural commodities do not loom as large as one might suppose, except on the Chicago, St. Paul, Minneapolis & Omaha. The company's access to the Illinois coal fields gives it a very large tonnage in fuel.

Capitalization and Earnings

The capitalization of the Chicago & Northwestern appears to be most conservative. The recent sale of $10,500,000 General Mortgage 5% Bonds has brought the capital liabilities to about the following figures:

Funded Debt	**$209,000,000**
Preferred Stock	**22,395,120**
Common Stock	**145,223,719**
Total	**$376,618,839**

The asset value of the stocks has been steadily increased by the accumulation of a surplus which amounted to about $58,000,000 by the end of 1917. This surplus account has been expanding recently at the rate of about $4,000,000 per annum.

There is nothing of the spectacular about the Northwestern. Revenues grow with fair regularity, but not especially rapidly. For instance, we find that while the company's gross revenues grew from $74,175,685 in 1910 to $108,264,983 in 1917, or 46%, the Atchison increased its gross from $104,993,195 to $165,529,519 or 58%; the Southern Pacific from $124,523,905 to $206,769,924 or 66%. The Northwestern is located in territory which is quite well developed. Though its possibilities are a long way from exhausted, it is questionable if it presents

the opportunity for as rapid a growth of traffic as do the Southwestern states.

The recent earning power of the company approximates, in respect to net, the 1917 figures quite closely. They are shown in Table I, together with the estimated income under government control in 1918.

It is interesting to note that the actually earned net operating income in 1918 was equal to just about half the government rental. This is not unsatisfactory in view of the operating conditions prevailing, but the fact remains that Northwestern's operating ratio has always been a little high. Maintenance charges have varied little one way or the other from 28% for a number of years. The transportation costs have run above 35%, however, and have served to bring up the entire operating ratio to a rather high figure. This trouble has undoubtedly been due to a relatively low rate and a short average haul.

High Operating Costs

The figures given in Table II bring out the superiority of Northern Pacific as compared with Chicago & Northwestern. Probably the Northwestern's operating conditions and rates make it impossible to approximate the statistics of the Hill road. It is a graphic illustration of what operating costs mean to stockholders, however, when we find that the Northern Pacific's operating ratio, as applied to Northwestern's 1917 revenues, would add nearly 6% available for the common stock.

TABLE I—CHICAGO & NORTHWESTERN INCOME ACCOUNTS

	1918	1917
Gross Revenues..	**$127,295,678**	**$108,264,983**
Operat'g Income.	***23,364,028**	**23,815,406**
Other Income....	**2,200,000**	**3,496,045**
Total Income..	**$25,564,028**	**$27,311,451**
Fixed Charges...	**10,413,000**	**10,357,302**
Bal'ce for Stock	**$15,151,028**	**$16,954,149**
Dividends	**11,688,966**	**11,688,966**
Surplus	**$3,462,062**	**$5,265,183**
Earned on Pref'd	**68.0%**	**75.7%**
Earned on Com'n	**9.4**	**10.5**
Paid on Preferred	**8.0**	**8.0**
Paid on Common	**7.0**	**7.0**

* Government rental.

The capital expenditures authorized by the government for 1918 were comparatively small —$11,211,352— of which practically all was provided for by the recent sale of General Mortgage 5s. The Northwestern is, to an unusual degree, a finished property, as shown by this very moderate amount of capital expenditure regarded as an immediate necessity.

Investment Value of Securities

Northwestern's bonds are all on a very high investment plane. The preferred stock is quoted at about 130, netting slightly over 6%. In respect to 7% of the 8% being paid, the payments are wonderfully well protected, as the sums available range from 50% to 90% of the entire issue. The additional 1% is payable only after the common has had 7%. The preferred may receive 10% before the common is entitled to more than 7%, and it would be an easy matter to declare the remaining 2% on the preferred were the management to see fit. During government control, of course, no dividend increases may be made without government authorization, but this railroad financial nightmare must come to an end some day, we trust. During the last ten years the sums available for the common have fallen below 8% on but three occasions, and never below 7%. The maximum was 14.1% in 1916. At 96 the junior issue nets 7.3%.

The 7% rate now in effect is in its eighteenth consecutive year, and is quite well assured, though there seeems to be little likelihood of any increase in the rate in the near future. It is undoubtedly worth more than its present price from the standpoint of asset value and as a pure investment it is an excellent purchase. Traffic will undoubtedly continue heavy this year as a result of the prosperity ensuing from, and the movement of, a tremendous wheat crop sold at a fabulous price. Whether or not the

TABLE II—OPERATING STATISTICS, 1917

	Chicago & Northwest'n	North'n Pacific
Transportation ratio.......	**39.74%**	**30.69%**
Operating ratio............	**72.75%**	**60.40%**
Average freight haul, miles.	**152.9**	**385.81**
Aver. rev'ue train load, tons	**449.3**	**662.42**

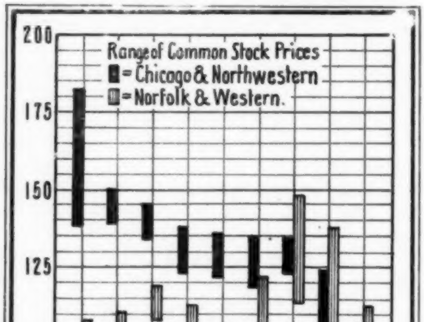
benefits will endure beyond the period of government control, with its fixed rental, is problematical.

Norfolk & Western

Norfolk & Western is one of the biggest carriers of bituminous coal in the United States. About 60% of its tonnage is in that commodity and indirectly it is dependent to an even greater degree upon the coal industry. Its 2,087 miles of road extend from the great coal fields located near the junction of the states of West Virginia, Virginia and Kentucky eastward via Roanoke, Lynchburg and Petersburg to tidewater at Norfolk. To the northwest they run to Cincinnati and Columbus. The greater part of the main line is double tracked, laid with 85 lb. and 100 lb. rail over rock ballast.

The supply of equipment is large enough to bring in substantial annual equipment hire credits, and the units are of the size required to handle heavy tonnage traffic economically. Norfolk & Western is a superb property physically and has long been maintained at the top notch of efficiency.

Traffic is very dense, amounting to over five times as much tonnage per mile as on the Chicago & Northwestern,



though passenger density is almost identical on the two properties. It may seem strange in view of the great discrepancy in business to find Norfolk & Western's per mile revenues ($20,000 to $30,000) equal to only a trifle over twice those of the Western road. The explanation is found in the freight rates. In 1917 Norfolk & Western received but .453 cents per ton mile against .78 cents on the Northwestern.

Bituminous coal moves at very low rates, yet the operating ratios of the best coal roads are surprisingly small. The property investment is large and traffic is carried in very heavy train loads, much of it going over the long run to tidewater. The operating statistics in Table III, when compared with those in Table II, reveal some of the characteristics of the two types, granger and coaler. The difference in train load is particularly striking. Norfolk & Western increased its figure by 34¾ between 1913 and 1917. In the same time the Northwestern train load gained 29%, making the relative progress of the two properties quite similar.

TABLE III—NORFOLK & WESTERN OPERATING STATISTICS, 1917

Transportation ratio	31.38%
Operating ratio	62.45%
Average freight haul, miles	258.46
Average revenue train load, tons	1020.9

Extremely Light Debt

Norfolk & Western is almost in a class by itself in respect to the conservation of its debt. Even with the recent issue of $17,419,600 Ten Year Convertible 6s, the debt is less than it was in 1914, when the property investment was $50,000,000 smaller than that of to-day. The approximate capitalization follows:

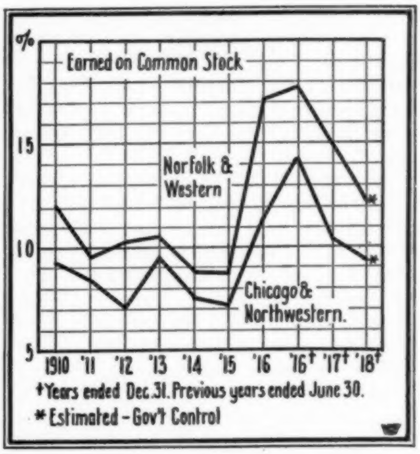
Bonded debt	$107,000,000
Preferred stock, 4% non-cum.	22,992,300
Common stock, paying 7%	120,545,400
Total	$250,537,700

Financing has been done largely through convertible bonds and their very general conversion has tended to reduce the debt. Notwithstanding dividends sufficiently liberal to induce conversion, the corporate surplus has grown like a rolling snowball. On June 30, 1912, its amount was about $20,000,000; at the end of 1917, $58,000,000, the gain being equivalent to over $30 per share of common stock.

In addition to maintaining a strong working capital, Norfolk & Western has been in the habit of carrying securities, largely municipal notes, equipment notes, etc., in its treasury up to as high an amount as $17,400,000. These liquid assets have made it possible to obtain with the greatest ease any funds required for additions or betterments.

As about $13,500,000 was devoted to capital expenditures in 1918, the investment account suffered some shrinkage. The company owned, at the end of the year, about $8,760,000 in Liberty Bonds, against which it had borrowed $4,500,000, and $1,700,000 in other government and municipal obligations. It is reported that a large part of the proceeds of the new convertible bond issue has been placed in short time securities pending the need of cash for expenditures on the property.

The earning power of the Norfolk & Western is very large and gives every



promise of continuing its past rapid development, provided the old ratio of rates and costs be restored.

The Company's Favorable Trend

Eloquent of the favorable trend of the Norfolk and Western is the fact that fixed charges were actually smaller in 1917, when the company earned $23,182,056, than in 1909, when the total income was less than half as great. In other words, from earning charges about twice, it has reached a point in only ten years where it covers them as much as six times over. In Table IV are given the income under government control in 1918 and also that of 1917.

The roads which can show so solid a bulwark of earnings behind their bonded debts are extremely few. The preferred stock, being a small isssue, is in a much better position than a great many bonds which we look upon as most conservative investments. At 73, netting 5.5%, it is about as attractive a corporate investment affording about that return as one can find.

TABLE IV—NORFOLK & WESTERN INCOME ACCOUNT

	1918	1917
Gross revenues....	$82,004,034	$65,910,242
Net operat'g income	*18,918,142	21,928,005
Other income......	1,000,160	1,070,876
Total income....	$19,918,302	$22,998,881
Fixed charges......	4,113,775	4,052,744
Net income......	$15,804,526	$18,946,137
Dividends	9,357,103	10,552,297
Surplus	$6,447,423	$8,393,840
Earned on prefer'd	70.5%	82.4%
Earned on common	12.4	15.0
Paid on preferred..	4.0	4.0
Paid on common...	7.0	8.0

* Government rental, less taxes.

The common stock has earned from 8.7% up to 17.8% during the last ten years and the average is considerably above the 7% rate now in effect. The chronology of the common dividends is interesting. In 1901 the rate was 2%; in 1903, 3%; in 1907, 5%; in 1912, 6%; in 1917, 8%. It seems most probable that that 8% rate will be resumed when the railroad situation again becomes stabilized. The present quotation of 106 may be said to discount such action, but there is nothing to indicate that this sum is the future limit. Norfolk & Western has a prodigious momentum which should continue.

The common stock is one of the few rails which sells higher to-day than at any time in the first nine years of the century. I believe it to be a most desirable purchase, with further appreciation outlined in the character of the company's record up to date.

The Financial Management of Your Business

Article No. 2—Earning Profits from the Payroll

By PARK MATHEWSON, Specialist on Standardizing Salaries, Promotions and Bonuses

TO understand the true productive viewpoint of standardized salaries, bonuses and promotions, we have only to realize that the employé is the producer, and to study and employ such methods or plans as will induce him to produce more (in quality or quantity) in a given time. If he is not favorably affected by the plans they probably result in loss rather than a gain. If the employé "doesn't see it," the expenditure is a waste of good-will and money, and is like the old story of the professor, the tramp and the dog, when the professor said to the tramp, "Why do you fear the dog? You know that a barking dog will not bite," and the tramp replied, "Yes; *I* know it and *you* know it, but does the *dog* know it?"

Too many of the profit-sharing stock-distribution, graded-salaries and promotion plans have been from the academic side, or to please the proprietors, and have gone entirely over the head of the producer, for whom they were planned; the "dog did not know" and bit the hand that fed him. Properly handled, with the human element kept clearly in mind, these plans can all be used, in their proper relation and sphere, to great mutual advantage of employer and employed. When rightly worked out, every concession, increase or bonus is a potent factor in reducing the cost of operation and adds pennies to the profit in every dollar of turnover, with a correspondingly beneficial effect on the balance sheet, standing and dividends of each corporation which has thus solved one of the greatest problems of capital and labor.

The problems of standardization of salaries; bonuses for length of service, efficiency and other angles; as well as many phases, are no longer considered just and productive promotions in their academic subjects, proper only for the attention of students of social economics. They are red-blooded, vital issues of great interest to the general manager and profit-planner of a business; also to the treasury department that aims to see returns of one hundred cents' worth for each dollar expended.

Of corresponding importance with proper purchasing, manufacturing and distributing of the firm, is the getting the best out of the organization. Nowadays, this functioning feature is, if anything, more considered than reducing the total of the pay-roll. While the latter is always desirable, it is secondary to sixty minutes' earnest effort in every hour by employés exactly fitted to their job and working with the high-gear enthusiasm of satisfaction. Such a condition insures 100% return on every dollar invested in the pay-roll, be it large or small.

The importance to profit or dividends is clear when it is considered that administration may cost from 10% upwards, and that every fraction of a point saved on gross income means, usually, many times that per cent. and available for dividends, on the capital invested.

These general principles are found equally applicable to the pay-roll of the manufacturing and marketing divisions, although employés and detail methods of handling may not be the same as in the administrative division. The backer or investor is now, equally with the corporation manager, making sure that practical plans are employed in all companies in which he is interested, to get the best out of the employés and keep the pay-roll at the lowest practical point for productiveness. By carefully taking up in sequence all elements entering the study of these allied angles of the whole subject, as found through an investigation and consensus of experience,

we can arrive at the correct methods of solution in individual cases.

The Problem

The devising of a system of remuneration which shall be equitable and satisfactory to both employer and employed is one of the most vital problems confronting business men today.

The problem is by no means a new one, but it is becoming more and more complex because of the evolution of employés from a contented or satisfied state to a condition of unrest and dissatisfaction caused by their continuously increasing requirements.

Employés are actuated to work by three fundamental motives: (1) the instinct of self-preservation or necessity; (2) the instinct of social recognition or distinction; (3) the hoarding or property instinct.

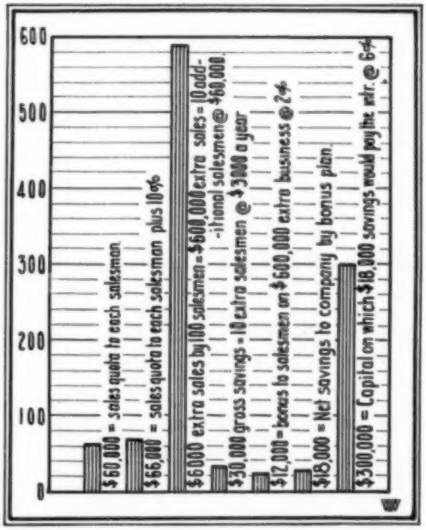
Until recent years it was generally considered that the prime factor in stimulating these instincts in employés was the wages or salaries paid them, and it was believed that the service secured depended entirely upon the amount of remuneration given; but it has now been repeatedly and conclusively demonstrated that the *method of fixing and adjusting wages or salaries* is of no less importance than the *amount of remuneration* in its effect on the attitude and efficiency of employés.

The more keen-minded employers have realized this, and as a result a number of efficient wage systems have been formulated to provide for laborers, mechanics and other industrial workers; but there is much less knowledge of satisfactory systems for compensating sales and administrative executives and clerks.

The meaning of "Salary Standardization" covers the bringing together of those indefinite standards that, in practically every organization, exist in the minds of the various officials, or in the minds of those in charge of the various departments, and which it has not been the practice heretofore to reduce to writing.

Present Method of Fixing and Adjusting Salaries and the Results

The present method of adjusting salaries consists largely of bringing employés into an organization and acquainting them with the fact that when they have been with the concern a sufficient length of time their remuneration will be increased if they are reasonably loyal and punctual, and meet with the general requirements of their positions. In other words, length of service has precedence over practically every other quality, and ofttimes efficient employés coming into the organization at a later date cannot be advanced and encouraged to make their services more valuable to the concern because dissatisfaction would be created among mediocre employés who have been in the employ of the house for a long time.



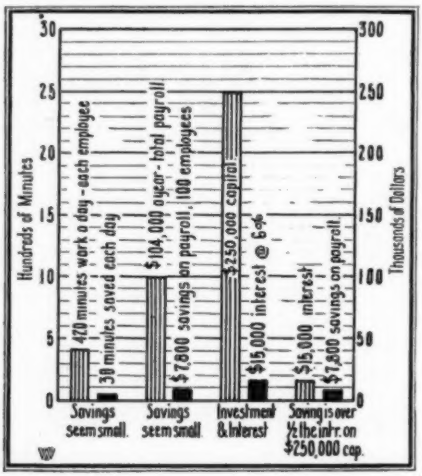
Inefficiency of Present Methods and What Improvements in Same Will Accomplish

The lack of a definite salary standard penalizes both the employer and the employé, as it is now recognized that it is as necessary for the employé to have an incentive as it is for the employer, and that the responsibility for the methods that have existed lies not with the various department heads, but with the heads of the organization who have not set the same standards for the purchase of the services of employés in

their offices that they have set for the handling of their product.

In formulating a standard for salaries and fixing the minimum and maximum for the various positions, many disputed questions are settled immediately and a basis established upon which judgment can be formed at all times.

The greatest value to be derived, however, is possibly through the fact that the employé is given a definite track over which to advance. In other words, the setting of standards assists in developing the employé, thus increasing his efficiency, and also rewards the efficient employé. Furthermore, it removes from the employer the penalty in the shape of excessive cost which is



today recognized, whenever employés are, on account of length of service, paid salaries beyond the actual worth of their positions.

Difficulties in Standardizing Salaries and Factors to be Considered

It is difficult to bring together the individual viewpoints of various department heads, but it is not an impossible undertaking. Some firms which have attempted it have secured a consensus of opinion upon the subject from their managers and have planned thereon schedules which give them a basis for judgment never before attained.

Several vital factors enter the question of preparing salary schedules:—

First, the minimum and maximum value of each position from office boy up.

Second, the grade of the position as it relates to other or higher grade positions.

Third, the personality of the employés in the various grades and qualifications necessary to fit them for the positions.

It is preferable in building a salary schedule to have more than one route over which employés may travel. In positions, certain types of employés can other words, starting from the minor be shown the course by which they may fit themselves to occupy positions as heads of departments, or executives; second types of employés can be guided over a different route that will finally place them in selling positions; while a third type may gradually acquire the knowledge and inclination that will lead them into the manufacturing end. Thus a predetermined salary schedule, with definite requirements, will permit employés to have an incentive which, educators state, is absolutely necessary for each and every one to have in order to develop the ability to hold a position of greater responsibility and trust.

Importance of a Definite Plan Governing Promotions

Without a definite plan governing promotions, it is invariably difficult for employers to find suitable material for their needs in filling higher positions.

The large majority of employés are brought into an organization and are given definite work to handle, and with the necessary instructions they handle the work efficiently. But without the assistance of a definite plan, the majority are at a loss, even if they are so inclined, to know what is required of them to fit themselves for more responsible positions.

The principal factor that makes it difficult to promote employés efficiently is that it is easier for the employer or the head of a department to raise salaries because of length of service, and it is easier for the employé to ask for a raise on account of length of service; consequently both employer and employé

are taking the easiest way in preference to the more difficult way of setting a standard for promotions.

Results of Methods Now in Use and Means of Overcoming Their Difficulties

The adoption of a definite salary scale fixing the minimum and maximum and outlining and adopting a syllabus showing employés what is expected of them if they are to fit themselves for continued service, is today recognized as the best means that can be used for overcoming the difficulties that have existed formerly in the question of securing efficiency in promotions.

Between 800 to 900 firms were approached in an investigation and but 103 of these were found to have definite knowledge on the subject. Only 29% of the 103 firms had, or knew of, definite working plans. However, it was the consensus of opinion that, as a result of the methods now in use, there exists a number of factors that act to the detriment of both employer and employé.

Taking into consideration that 83% of the firms approached consider the matter of promotions a vital question, it is imperative that the present methods be dispensed with and standards adopted that will take into consideration the human side of the employé.

It seems wise, therefore, if possible, to find some method of fixing salaries which will accomplish the following:

(*a*) Fairly compensate each individual for the service performed, due consideration being given to the salaries of other employés in the same corporation and the compensation the individual would receive for doing work of similar nature for another employer.

(*b*) Provide some method of increasing compensation which on the average will result in advances of salary from the first tenancy of each position to the end, so that the employé will feel satisfied with his compensation until his promotion or transfer to a more important assignment justly entitles him to greater remuneration than he can be worth in his present position.

(*c*) Limit the compensation an employé will receive in each position excepting through promotion (if he be fitted for it) or through an increase in the importance of the work done, which may come about through a change in circumstances, perhaps by the efforts of the man himself.

(*d*) Provide a general plan which will not increase the salary charge more than may be proper through an increase in the business done or a change in the cost of living which would similarly affect all salaried employés.

(*e*) Provide a means of securing statistics which will afford some guide as to the cost of salaries by departments and in comparison with the work done.

The first step would be to fix a minimum and maximum pay for each position.

The minimum pay should be that at which an employé should start when first placed in a position and should be lower than the pay to be received, say after six months or a year, when he shall have demonstrated that he is not misplaced.

The maximum should be the highest pay the position should carry, taking into consideration its importance, the ease with which satisfactory people can be found to fill it, the training necessary and the pay given for similar work in and outside of the concern.

Bonus Methods and Benefits

Bonuses for work done or results over a certain quota are common and found to be profitable not only in the production division but also with selling and administrative employés, from highest to lowest rank. By careful study of successful methods used those plans which are best suited to an individual business and which will most appeal to and stimulate its particular workers, can be successfully devised and put into practice.

It is found from a 100% standing of these details, when all savings in salaries, lost time, and service not up to par, are computed and gathered, that a return is shown for efforts expanded and an addition is made available for surplus and profit account, of not only a satisfactory amount, but ofttimes forming a surprising proportion of the total on the right side of profit and loss, columns as graphic by illustrated in the charts herewith reproduced.

Industrial Earnings, Dividends and Income Yields

In view of the wide discrepancy between present industrial earnings and last year's—chiefly because of the unsettled conditions resulting from the war—our usual "Bargain Indicator" has been modified as below. The *dividend rate* given covers regular declared dividends on the yearly basis. Extra or stock dividends are noted from time to time in the comment column on the right, which also summarizes important price-affecting factors. The *yield on price* is based on regular dividends and the last reported sale or bid price before going to press. A minus sign before earnings' columns indicates a deficit for the year in dollars per share.

INTENDING PURCHASERS should make careful Comparisons, including former years. They should also read the Financial News and Comment for additional information. If a yearly subscriber, our Inquiry Department may be consulted.

	Companies Which Have Reported for 1918 — Dollars Earned Per Share.					Present	Recent	Yield	
	1914.	1915.	1916.	1917.	1918.	Div. Rate	Price	on Price	
Am. Agricultural Chemical com	7.68	10.96	20.57	21.11	35.01	$8	108	7.40	Products in large demand.
Am. Beet Sugar com	1.01	7.50	14.30	30.55	10.58	8	76	10.52	Large crop expected.
Am. Can com	3.61	5.20	12.31	21.84	7.55	0	51	0.00	Prospects very bright.
Am. Cotton Oil com	1.98	7.05	6.99	4.56	5.14	4	55	7.27	Increase in dividend expected.
Am. Hide & Leather pfd	0.85	7.38	12.64	13.56	18.35	7	107	6.54	Plans for distribution of back dividends discussed.
Am. Linseed com	...	...	1.82	5.82	5.77	0	54	0.00	Earnings showing up well.
Am. Locomotive com	1.30	—13.00	36.07	21.81	16.64	5	68	7.35	Earnings increase.
Am. Smelting & Refining com	6.51	16.80	31.79	24.14	7.29	4	71	5.63	Outlook brighter.
Am. Steel Foundries	—135	—1.20	19.89	30.19	13.69	7§	86	8.14	Earnings fair.
Am. Sugar Refining com	2.90	4.99	18.46	20.09	16.45	7**	129	5.42	Large increase in earnings expected.
Am. Tobacco com	21.04	20.06	22.70	25.21	33.45	20	208	9.61	Higher prices show increased earnings.
Baldwin Locomotive com	—5.25	7.14	22.91	40.22	51.81	0	91	0.00	Foreign orders coming in.
Bethlehem Steel com	32.60	112.50	286.30	43.20	17.98	5§	75	6.66	Preparing for new business.
Burns Bros. com	8.40	12.11	10.03	21.27	18.35	10	163	6.13	Large expansion program in effect.
Butte & Superior	5.21	33.37	31.79	.94	2.16	0	21	0.00	Minerals separation suit in progress.
California Petroleum pfd	11.54	7.80	8.44	12.41	16.43	7	70	10.00	Paying off back dividends.
Central Leather com	6.41	10.82	33.14	30.42	10.44	5§	78	6.41	Earnings decrease.
Colorado Fuel & Iron com	4.79	4.58	5.97	11.15	7.51	3	43	6.97	Higher coal prices expected.
Continental Can com	10.69	12.05	22.38	32.63	13.86	6	78	7.69	Earnings decrease.
Corn Products Refining pfd	7.73	10.62	20.39	38.05	29.01	7	105	6.66	Selling of plants unfavorable factor.
Crucible Steel com	—2.94	5.39	45.89	42.13	48.25	0	67	0.00	Large earnings looked for.
Cuba Cane Sugar com	...	...	17.36	7.63	1.25	0	29	0.00	Expect good crop.
Goodrich (B. F.) com	5.62	17.17	12.76	14.50	25.67	4	67	5.89	Large demand for tires.
Gulf States Steel com	...	10.17	30.25	34.83	9.96	4	53½	7.47	Earnings reduced.
International Agricultural Corp. pfd	.65	—7.47	9.80	9.31	14.89	5	75	6.66	Extra disbursement.
International Nickel com	3.40	4.44	6.83	7.78	5.77	2	29	6.20	Building trade increases earnings.
International Harvester	...	...	...	...	25.24	6	130	4.61	Large accumulation of orders.
Kelly-Springfield	5.18	7.16	9.19	12.03	20.78	4§	122	3.27	Showing excellent earning power.
Maxwell Motor com	0.30	5.33	29.10	29.62	5.71	0	39	0.00	Product in demand.
National Biscuit com	11.74	9.52	8.19	9.87	11.63	7	125	5.60	Increasing production.
National Enameling & Stamping com	—0.32	2.02	11.67	23.39	13.94	6	57	10.52	Expects good year.
New York Air Brake	6.41	13.43	82.15	18.94	20.53	10	110	9.09	Expects to manufacture trucks.
Railway Steel Spring com	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.74	Earnings holding well.
Republic Iron & Steel com	.56	6.49	47.67	51.88	22.22	6	82	7.31	Production decreased.

New York Air Brake	6.41	13.43	82.15	18.94	20.53	10	110	9.09	Expects to manufacture trucks.
Railway Steel Spring com	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Earnings holding well.
Republic Iron & Steel com	.56	6.49	47.67	51.88	22.22	6	82	7.31	Production decreased.
Sears, Roebuck com	21.31	17.57	26.14	19.29	17.63	8	180	4.44	Outlook bright.
Studebaker Corporation com	12.79	27.46	26.14	9.11	10.39	4	68½	5.83	Small increase in earnings possible.
Tobacco Products com	1.03	2.31	5.44	9.32	17.00	6	90	6.66	Acquiring new properties.
United Cigar Stores com	7.09	7.69	9.48	...	13.60	9	135	6.66	Capital increased.
U. S. Cast Iron Pipe pfd	.29	2.55	10.91	11.18	9.24	5	59	8.47	Working on peace orders.
U. S. Industrial Alcohol com	1.94	14.60	36.13	54.67	51.67	16	153	10.45	New motor fuel proven.
U. S. Steel com	...	9.96	48.46	46.29	22.10	5§	98½	5.07	Tonnage on the decline.
Virginia-Carolina Chemical com	3.40	7.55	10.39	10.92	24.24	4§	61	6.55	Large business expected.
Westinghouse Electric com	5.35	2.43	10.22	12.56	10.68	3½	48	7.29	Showing increased earning power.
Woolworth (F. W.) com	10.87	13.19	15.57	16.72	12.43	8	128	6.25	Showing increased earnings.

NO 1918 EARNINGS REPORTED

	1913.	1914.	1915.	1916.	1917.				
Allis-Chalmers com	...	...	2.34	7.98	11.17	0	37½	0.00	Consistent earning power.
Am. Car & Foundry com	4.10	5.53	0.77	2.39	27.36	8	94	8.51	Earnings well maintained.
Am. Woolen com	—9.89	—0.06	6.40	15.31	40.42	5§	67	7.46	Earnings still large.
Am. Zinc com	—4.65	1.82	54.92	139.52	11.08	0	14	0.00	Barely holding its own.
Anaconda Copper	2.61	1.89	7.16	24.85	17.04	4	61	6.55	So. American properties active.
Barrett Co. com	15.61	10.31	21.19	32.84	20.54	7	130	5.38	Products in demand.
Chino Copper	3.51	3.44	7.67	14.40	11.27	4	36½	10.95	Lower prices of copper show effect.
General Electric	12.88	11.12	11.57	18.31	26.50	8	162	4.93	Showing good return.
Great Northern Ore	.71	.54	.70	1.39	—1.50	0‡	42	0.00	Showing good earning power.
Greene Cananea Copper Co.	2.33	1.97	1.04	7.03	5.05	6	42	14.28	Demand for copper expected to increase.
International Agricultural Corp. pfd.	14.89	.65	—7.47	9.80	9.31	5	75	6.66	Bright outlook.
Mexican Petroleum com	11.22	4.78	4.93	15.79	10.23	8	186	4.30	Expecting large export business.
Miami Copper	1.75	1.65	4.55	10.39	6.63	2	23½	8.51	Dividend reduced.
Midvale Steel	...	...	1.44	31.46	35.58	4	46	8.69	Dividend reduced.
National Lead com	3.64	3.73	4.86	6.16	15.44	5	72	6.94	Subsidiaries showing up well.
Nevada Consolidated Copper	1.45	.74	2.78	7.50	4.83	1½	16½	9.09	Good long pull prospects.
Pan-American Petroleum	...	...	...	...	11.59	5	84	5.95	Large holder of producing companies.
Pressed Steel Car com	10.56	.14	3.60	15.01	10.04	8	72	11.11	New orders coming in.
Pullman Co.	9.28	9.04	8.80	10.32	11.36	8	120	6.66	Earnings steady.
Ray Consolidated Copper	1.85	1.65	3.08	7.65	6.60	2	20½	9.77	Increased demand for copper expected.
Sloss-Sheffield com	2.09	.21	.53	14.44	15.77	6	53	11.32	Earnings on the decline.
United Fruit	14.52	6.19	16.11	24.34	26.72	8	174	4.59	Earnings good.
U. S. Food Products	...	...	...	...	...	2§	75	2.66	Manufacturing yeast products.
U. S. Rubber com	10.61	9.18	10.80	17.75	28.77	0	87	0.00	Conservative policy.
U. S. Smelting & Refining com	5.35	1.60	13.93	20.46	5.14	5	49	10.20	No reduction in dividends.
Utah Copper	5.38	5.34	11.03	24.46	18.46	6	74½	8.05	Increased coppers demand looked for.
Willys-Overland com	4.63	3.75	12.56	5.75	3.16	1	29½	3.39	New properties showing up well.

**3% extra in quarterly installments of ¾% each. §Extra dividends. ‡No regular dividend. Has made two distributions of $1 each and two of $2.

Trade Tendencies

As Seen By Our Trade Observer

The average investor has neither the time nor the opportunity to follow developments in the various industries, although such developments at times are of vital importance in the consideration of the long range prospects for securities. This Department will summarize and comment upon the tendencies in the more important trades as expressed in the authoritative trade publications and by recognized leaders in the various industries. As the general tendency in a given trade is but one of many factors affecting the price of the securities representing that industry the reader should not regard these Trade Tendencies alone as the basis for investment commitments, but merely as one of many factors to be considered before arriving at a conclusion.—Editor.

Steel

New Business Stopped by Price Dispute

The price-fixing question is still as much "up in the air" as ever, with both sides maintaining that their views are correct and must prevail. The Director General of Railroads insists that he will not yield and will not buy steel at the prices fixed, and Secretary Redfield is firm in his backing of Chairman Peek of the Industrial Board. Several conferences are being held almost daily in Washington, and the matter has been referred to President Wilson. So acute has the controversy become that some say either the Secretary of Commerce or Mr. Hines will resign if one side or the other prevails.

An attempt to prophesy the outcome of the argument would be hazardous. The railroad's chief objection is against the price for rails, but there is no assurance that the rest of the steel prices will be accepted if rail prices are lowered. In addition it is quite uncertain whether the rest of the governmental departments will accept the price schedule. The Navy Department has already practically announced its refusal to do so when a statement was given out that the Navy cannot buy material without receiving competitive bids.

In the meantime new buying has practically halted. In the intervening period between the time of announcement of the new price schedule and the Director General's unexpected refusal to accept the schedule, steel mills received a great number of new orders, and it was thought for a time that a real revival had begun. As was pointed out in this column two weeks ago, these orders were banked up awaiting a decision from Washington and when one was reached they were all released in a bunch, giving the market an appearance of extraordinary activity. Whether or not an actual revival would have been experienced if the plan had been generally accepted cannot now be determined, but there are quite a few indications that real "investment" buying would not make its appearance. About the only thing that is keeping the plants going now is automobile industry buying and a small demand for miscellaneous steel on rush orders. That such business is not sound enough to afford a foundation for an upward turn in the steel situation is generally recognized.

In a few instances only have contracts been let at prices under the originally agreed-upon schedule. The big companies are holding firm, claiming that there is no incentive for making concessions to buyers as there is no assurance that very much additional buying will develop if prices are lowered, and they claim they can get the present business at current prices, thereby protecting themselves as to profits.

Production Curtailed Further

From week to week several new reports of shutdowns or further curtailment in production are received from various parts of the country. The Washington controversy has accelerated the drop in production, and has brought many mills and furnaces who were holding on by the "skin of their teeth" to idleness. Stocks continue to accumulate at the mills, and as shipments on old contracts have been about completed, producers are trying their best to save money wherever possible.

Not until the Peace Treaty is signed will there be much revival in export business. American producers are underquoting British mills, but not enough business to speak about is being closed. Although the steel trade does not expect to do much business with Europe at the start, they are confident of a large turnover in South America, South Africa and in the Far East.

Needless to say, the trade is heartily disgusted with the present situation. A normal deadlock without governmental interference would have been preferable to the present mix-up, and some steel men claim that buyers' confidence is so shaken that even though a solution of the problem is reached it will take much longer than ever before buyers come into the market in volume. It is now perfectly apparent that the government is entirely at fault, and that the steel trade is not getting its share of the praise for ironing out its own difficulties amicably. The new prices, while not satisfactory to all in the trade, were accepted in a spirit of co-operation, and with the intent to do everything possible to help along America's industrial rehabilitation.

It is a question whether an open market will result from the present chaos. Steel men are emphatic in their statement that buyers will be disappointed if they expect lower prices, and, in fact, claim that higher prices might prevail. While I do not believe that it is basically possible to establish a higher price rang for long, a sudden break in the market is not expected and the probable outcome will be a gradual lowering of prices all along the line.

* * *

Railroads

More Wage Increases

When and where it is all going to end no one knows, but in the meantime expenses keep multiplying in a depressing fashion. While it is generally admitted that the Director General knows full well the deplorable condition of the railroads, and that he is striving to correct the onerous situation by curtailing wherever possible, and that the recent wage increase was probably unavoidable under the circumstances, the situation becomes more discouraging from the railroad man's and the security holders' point of view. No doubt the advances made previous to Mr. Hines' occupation of the chair made it necessary for the advance to train crews.

A further increase of $65,000,000 in wages to train crews brings the railroad pay bill up to the annual basis of $3,000,000,000. The new wage increase affects approximately 400,000 men, and applies to firemen, engineers, conductors, and brakemen, most of whom are members of the Big Four Brotherhood, who received an increase of about $70,000,000 in wages under the Adamson Act in 1916, and a further increase of about $160,000,000 last summer.

It will be remembered that the railroad companies themselves, in 1916 and 1917, raised wages by $350,000,000, to which the government has added since its control of the roads $910,000,000, making the total wage increase in three years of $1,260,000,000. Needless to say, the wage increases have absorbed all the additional revenue obtained from higher rates for passenger and freight traffic.

It is very little wonder that the Director General came out so strenuously against the prices fixed by the Industrial Board for steel, coal, and other materials. Since labor costs have absorbed all of the increased revenues, and no provision has been made for higher material prices over the period previous to the war (and they have increased from 65 to 120 per cent.), every dollar that is added to railroad costs now means just so much more deficit.

There has been an increase in railroad operating expenses in the last three years to $1,750,000,000 against an aggregate increase in rates of about $1,100,000,000. The average increase in wages since 1910 is 117 per cent., and since 1913, 80 per cent.

What Is to Be Done?

On top of the continually mounting expenses it is noted, as predicted in these columns several months ago, that the traffic movement is declining. For the month of March a decrease of 19 per cent. in the number of loaded freight cars handled by western lines, compared with the same period of last year, is recorded. Any hope that was entertained that the railroads in 1919 would come out even, on account of continued high traffic movement, has now been shattered. The roads are guaranteed $904,000,000 as rental, and in 1918 the carriers failed to earn this amount by $202,000,000. To last year's deficit, up to the beginning of March, was added another $74,000,000, and although reports are not all in for March it is safe to assume that this deficit will be increased rather than decreased.

There are only three ways out of the difficulty: 1. Increasing operating efficiency; 2. A further increase in rates, and 3. A very large increase in the volume of business handled. There is very little prospect of increasing operating efficiency under government control, and probably the only way out, as one expert observes, is to hand the roads over to private management, with the rental guarantee still in effect and put in force the old competitive system.

The second suggestion might be a way out, but the Director General has already hinted that he is against an increase in rates. As a matter of fact, rates are high enough now. Industry in general is having sufficient trouble in overcoming rehabilitation obstacles, and is not likely to lend itself favorably to further burdens by an increase in present rates.

As to a large increase in the volume of business handled, the outlook is not encouraging. Even a business revival will hardly restore the huge volume of traffic experienced under war conditions, and as government movements of freight and traffic are decreasing daily, the bulk of business is declining. It will be a long time, in my opinion, before the traffic movement attains the heights established during the last three years. To expect this volume of business to be duplicated under present conditions, or in the immediate future, is little short of ridiculous.

The prospect of inducing private capital into the railroads is rapidly diminishing under present conditions. An immediate return to private ownership, under constructive and protective legislation, would solve the problem. The Director General has stated that a combination of the roads into a few big systems and their subsequent restoration to private ownership is the cure-all for the railroad's ills.

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Copper

Market Dull and Lower

After the sudden burst of activity at the end of last month hope ran high for sustained and increasing activity in the copper industry. So far these hopes have not materialized and while the market has a fairly strong undertone at current levels, there is no great demand for the red metal and consumers bid cautiously when at all.

Quotations are nominally 15½c a pound but business is decidedly slow at that figure. In the last few weeks some smaller dealers have made sales of moderate lots at 15¼c per pound delivered and many in the trade think that quite a little business could be closed at that figure if the large interests were willing. The major selling agencies, however, are standing firm on their price but whether they will be able to do so for long in the face of the continued lack of demand is uncertain.

Production and Stocks on Hand

Many of the mines are still running at a heavy rate of production compared with the amount of copper absorbed in the market and stocks of surplus metal continue to pile up. Recent estimates of the copper surplus in the United States place the total at considerably above 1,000,000,000 pounds as of the first of the year, and this has been increased in the proportion of about 50% production over consumption since the first of the year to date. There is plenty of copper available therefore and it cannot be said that the tide has definitely turned for the better until consumption in this country catches up with at least the low present production.

Export business is at a minimum. Plenty of optimistic comments can be found on the outlook for increased export copper business but the trouble with these predictions are that they are too general and cannot be pinned down to *when* this demand is going to develop. Even the public announcement of the findings of the Copper Export Association was not as cheerful as expected and it is evident that the copper trade in this country had better get the idea of a large export trade out of its mind for the present. Certainly the first improvement in the copper situation will have to come from domestic sources and not from abroad. As pointed out in this column many times, England, France and Italy have considerable stocks of the metal (said to aggregate in the neighborhood of 400,000,000 pounds) and will see to it that this surplus is assimilated in their respective countries before orders are placed here.

No Inducement for Further Cut in Price

At 15¼c or 15½c many of the high cost companies have been obliged to shut down operations altogether or are suffering a considerable loss and others are glad if they can keep their plants going at no profit at all. It is true that labor costs have been reduced somewhat and the cost of supplies shaded a little, but these are still too high to make operations profitable in nearly all cases at around the present prices for the metal. Labor conditions are not nearly so bad as were predicted or even expected in most instances. Curtailment of output has resulted in reduction in the number of employees and since the labor situation shoe is on the foot of the employer instead of the employee greater efficiency is the keynote.

There is no incentive to cut prices from the present level, leading copper men maintain, since demand is very small at current levels and there is no assurance that larger orders would be placed if the price for the metal was lowered. Successive cuts in the quotations has not developed buying on a large scale and as the figure now quoted is so low that no one can make any money and most of the companies are losing money, there is no reason for further reductions.

It is too soon to state definitely that the rush of buying around the end of March was a "flash in the pan" and that the market has definitely settled into a period of dullness. The market should be given a month or so at least to establish right or wrong of this analysis.

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Oil

Activities Steadily Expanding

Everywhere in the oil fields activity is at its height, and new preparations and plans for its expansion are continually under consideration. If there is any fear that more oil will be produced than will be needed in the immediate future, oil men do not display it and confidence reigns supreme. It is the old, old story of expanding uses for oil, the revival of long quiescent peace uses and various other expansion arguments. The navies of the great powers of the world are using oil in greater quantities than ever before, and their demand should increase much more rapidly from now on. The extensive employment of automobiles, using gas and oil far in excess of the quantities absorbed even for war purposes is apparent, road building will require road oiling, and a multitude of uses for oil are developing and will develop rapidly from year to year.

It is no wonder then that oil companies, large and small, are bending every effort to take the liquid gold out of the earth. While activity in the field is great, it is not nearly so great, think oil men, as will be experienced in about six months or a year. The stock market, which is a certain forecaster of coming events, predicts a boom in the oil trade by the rising prices of oil securities. There is always an end, and over-expansion invariably follows deflation economists tell us, but from the trade point of view only the start is being made.

Gulf Producers Fighting Drastic Cuts

Gulf coast producers, through the Gulf Coast Producers Association, are bending every effort towards stabilizing the price for their product. Representatives of the association have been endeavoring to adjust the situation in Washington, and an active campaign of propaganda, by means of advertisements in the newspapers, etc., is being undertaken.

In a full page advertisement in the Houston *Chronicle,* the producers point out 14 reasons why they are getting the worst end of the deal, and that the refineries are taking undue advantage of them. Under point 8, for example, they say "At a meeting of the Gulf Coast Oil Producers Association in February, the statement was made by several producers, and *corroborated by the representative* of the Oil Division of the Fuel Administration in Texas and Louisiana, *that the average cost of*

producing crude in the Gulf Coast section during the early part of 1918 was \$1.06½ a barrel," and they say further, under point 13, "Can you imagine a more spontaneous, goose-stepping pack of conspirators than these pipeline purveyors to the purpled purses of the plutocrats who, lacking vision and sympathy, are filling the hearts of our country with a feeling of oppression, uncertainty, and unrest?" It is evident that every effort is being made to reinstate Standard Oil in the Texas fields, and producers claim that if this company gets a footing a more equitable price arrangement will be had.

Mexican Congress Called in Extra Session

The trade is greatly interested in the probable outcome of the coming Mexican deliberations on its oil policy. A special session of the congress at Mexico has been called for May 1st by President Carranza.

As stated previously in this column, the probable outcome of the deliberation will be that some sort of a petroleum code will be enacted, and that it will contain nothing inimicable to foreign interests. The Carranza government probably sees the error of its ways, and evidently has completely turned about in its plan for the nationalization of Mexican oil fields.

While indications point to probable settlement, foreign oil producers are not "out of the woods," and there is still a possibility that something may come up to change the present optimistic view point. The United States Government has not received a reply to its note, protesting against the trend of Mexican Petroleum Legislation, and there are some quarters that believe that the Carranza government will refuse to alter the confiscatory oil decrees.

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Motors

Rapidly Getting Stride

Only the automobile industry could cheerfully face such a discouraging outlook for quick rehabilitation and set about overcoming these difficulties with the utmost speed. Only the automobile industry with its well-known versatility and adaptability could take hold of a situation surfeited with all sorts of obstacles and put them aside collectively.

When it is realized that enormous physical effort was required for reconversion from war production to peace production and that it took nearly a year for most of the plants to switch from peace production to war production it can be realized how well the task has been accomplished so far.

Great progress has been made in arranging new contracts with distributors and dealers, launching new advertising campaigns, refinancing cars and part makers, rearranging machinery and cleaning up of finished and partly finished war products. The difficulty of readjusting finances was and still is, for that matter, in many cases, enormous. The Government is slow to pay and the tedious process of making adjustments on unfinished contracts is at last getting under way after over four months comparative inaction.

Many of the large companies are still faced with this annoying difficulty. Money and credit are the essentials needed to get back to normal production and the money has been all too slow in coming. Some manufacturers, with characteristic initiative, have negotiated loans on some of this money due and have gone right ahead.

Thus it is apparent that the automobile industry is cutting short its period of readjustment and will get on its feet sooner than expected. The demand for passenger and commercial vehicles alike is tremendous and distributors uniformly report that all they need is the cars and they can sell them. The automobile industry looks for prosperous days and they are coming, but whether or not the readjustment will be completely effected this year is still a question. Certainly it will take until the latter part of 1919 before conditions approach normal. With the plants in full swing at the end of this year tremendous activity in 1920 is confidently expected both in domestic and foreign fields.

Export Trade Looms Large

A large number of prohibitive measures have already been and many others are expected to be eliminated before long. There is a world-wide demand for our passenger cars and this demand is confidently expected to grow more rapidly than the ability to supply and when sufficient tonnage is available at lower freight rates and prohibitions against importation of American-made cars in many countries removed, our shipments should enhance manifold.

It is true that such large automobile producers as England, France and Italy will resume production but it will take a great deal longer for these countries to get back to normal, and besides, American passenger cars and commercial vehicles have established their worth and this, together with a comparative low selling price, should assure large sales in foreign markets.

Production methods in this country enable manufacturers to pay higher wages and yet compete successfully in foreign markets against European-made cars. Of course it is expected that foreign competition will ultimately develop in that foreign manufacturers have already announced that they intend to build low-priced cars, but American manufacturers have nothing to fear unless they are placed at a disadvantage by means of high duties or tariff. American manufacturers realize the probable obstacles in foreign trade expansion, but are not very much alarmed and are going ahead with plans for extensive development the world over.

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Grain

Record Crop and Price Estimates

Preliminary forecasts on the probable price for wheat this year have been somewhat upset, however. European conditions are not nearly

as settled as was expected by this time, and the necessity for supplying larger quantities to foreign countries is expected to bolster the price here.

Frequent rains have delayed the planting of the new crop, but generally speaking the weather has been exceptionally fine for wheat, and if there is not an over-abundance of rain from now on, the yield should come up to previous estimates. Indications point to a yield from 12 to 18 bushels an acre throughout the various districts against an average in the last ten years of approximately 14 bushels. There is little likelihood that the yield will be cut to previous levels and if there is favorable weather for harvest and nothing interferes with the maturity of the plant, an enormous production is expected.

Price Estimates

Just now millers in the Middle West are paying as high as $2.35 for wheat and not getting all that they want. Of course, Western millers are quite emphatic in their denunciation of the Government tying up in Eastern terminals so much of the crop leaving the West, without a supply at the end of the season.

Despite the huge crop there are indications that wheat will bring nearer $2 than $1 or $1.25, as was estimated a few months ago. Experts are making this prediction on the fact that the European situation is still unsettled and the ability of the world to supply the needs of the world seems somewhat lessened. Taxpayers will welcome this turn in events as the Government will be called upon to spend considerably less of the $1,000,000,000 appropriation, but consumers on the other hand are not likely to become over enthusiastic since they will be required to pay nearly the same prices for wheat as in 1918.

Farmers are quite emphatic in their statements that the wealth of Croesus is far from theirs even at the guaranteed price. They claim that as long as the cost of living keeps at the present level, they will be quite satisfied if they are able to make as much as they would under normal conditions. The farmer's labor cost him as much if not more than ever, his tools are high and his cost of living is correspondingly great. Farmers' complaints should be taken with a grain of salt, however, as taking everything into consideration with a very large yield and a price for the product high in proportion to the cost of its production, the farmer should fare well.

Difficulty over the handling of the crop and assuring the farmer his price is the puzzling question just now. Authorities agree that the Food Administration must control the wheat handling until next fall at least, in order that the farmer be paid in full.

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Railway Equipment

Payment of Government Bills Solves Difficulties

Railway equipment, supply and specialty companies were faced with an alarming situation owing to their inability to obtain funds on material supplied the Railroad Administration last year. Some of the weaker companies in fact had great difficulty in avoiding actual bankruptcy through the lack of funds. At least this discouraging factor in the railway equipment situation has been finally adjusted through the Railroad Administration's decision to give the companies certificates of indebtedness which in turn can be used as collateral for obtaining funds in the banks. The Railroad Administration owes the equipment companies $183,000,000 in round figures and many millions more are owed to railway supply and specialty companies. The same kind of certificates of indebtedness as are given to the railroad companies will be given as payment for debts owed by the Railroad Administration.

Some of the equipment companies are sufficiently strong in working capital to hold the certificates until the Railroad Administration gets enough funds to pay off its debts through an appropriation by the next Congress. Others, however, may issue a note secured by an assignment of the certificate of indebtedness and borrow from the banks. If the funds are not obtainable from the banks the companies can issue a note with the assigned certificates as security and borrow from the War Finance Corporation.

Thus one of the most discouraging obstacles in the path of the readjustment in the Railway Equipment industry has been removed. There are still, however, many difficulties to overcome before the trade can hope to regain its former swing and attain the heights that are predicted for it in the distant future.

Just now the trade is going through a period of temporary depression. Most of the old contracts have been worked off and orders are so few and far between that some of the companies are finding difficulty in keeping their plants going until buyers are ready to come into the market. Of course, the last Congress's failure to appropriate funds for the Railroad threw the whole Railroad situation "up in the air" and with it put the Railway equipment companies further back than before. It was expected that as soon as the Railroads were fixed financially the Administration would go ahead on a definite program for restocking the carriers with necessary and much needed equipment. While the Director-General has been doing his utmost to straighten out the much tangled Railroad financial situation, the equipment companies have had to suffer.

Relief seems to be near at hand. Through the new financing scheme the Railroads have been supplied with sufficient funds to take care of capital requirements, interest and dividend disbursements, and it will not be long, assurances from Washington state, before contracts will be let for equipment on a large scale. Payment for this equipment will be provided for either under the present plan of certificates of indebtedness or will be made a part of the appropriation to be passed by the next Congress.

While export business has not been large, comparatively speaking, locomotive companies

have closed substantial contracts with South America and South Africa. Taking the long range view, everything points to excellent business conditions in the trade in the not distant future. The revival of activity was postponed through a combination of unfortunate circumstances, but recent developments have given the trade much satisfaction and preparations for good business are confidently made.

* * *

Aviation

Government to Aid in Commercializing Aviation

Progress is discouragingly slow from day to day, but the years fly by very quickly, and the thing we thought remote yesterday is an actuality to-day. It may be rather far-fetched to comment upon aviation as an industry in these columns, but I cannot help noting the progress that is being made, and have endeavored to find out from those that should know what their concrete ideas are on the subject. Of course, many abstract "Jules Verne" ideas as to the future are offered in the press almost daily, but taking the matter seriously we find rapid, though invisible, strides forward are being made.

As one expert puts it, the progress of the aeroplane commercially is about as far advanced as the automobile was in 1896. The automobile then was, and the aeroplane now is, more or less, of a plaything. The aeroplane's intensive development, of course, was brought about by the war, and it can now be said to be at the jumping-off place from an instrument for special uses to a necessity in the commercial field.

The Government Plans to Help

This country has been slow to recognize the advisability of helping new industries get started. The resources of the United States have been so great that private enterprise has been able to develop them at its own risk without government backing. Foreign countries have for years stood behind new and promising industries, and have allowed every privilege possible to make them successful. The United States is beginning to realize that it is up to her to get behind her resourceful inventors and business men, and not force them to carry their epoch-making inventions to foreign lands for exploitation.

The long-awaited word now comes from Washington that the War Department will assist in every way in establishing aviation on a commercial basis in this country. The European nations are already bending every effort toward commercializing the industry, as they realize the pre-eminence in the field of commercial activity that the establishment of commercial aviation will bring them.

A long and wearisome road will have to be traversed before you or I can say "Jump into my 19— Model Whizz and let's have lunch in Chicago." However, a start has been made The War Department is planning to establish landing fields all over the country which will be marked and charted, and will contain facilities for the care of the machines. An effort will be made to induce cities to set aside fields for the purpose, in addition to the regular government field. That the co-operation of the cities will be obtained is assured, as many Chambers of Commerce have signified that they will do everything to help the War Department plan.

The Government will aid private manufacturers, as it has signified its policy not to throw on the market surplus planes for whatever they will bring, but to feed them out slowly over a period of years.

An aero police force will be established, if, and when, the need develops, and an effort will soon be made to create "Rules of the Road."

While there is undoubtedly a "future" for commercial aviation, we should hesitate to buy stocks of an aeroplane manufacturing company, or suggest going into the business on the developments thus far and those pending for the immediate future. We are looking far ahead, and as many of our readers are intensely interested in the industrial progress of the aeroplane, it is fitting to comment on recent and pending developments.

* * *

Rubber

Foreign Trade Necessary to Maintain Big Business

In no other industry is the maintaining and expanding of its foreign trade more necessary than to the rubber industry. In order that the giant industrial machine whose scope and volume of business so built up during the war may be kept fully employed, the maximum of export activity must at all times prevail. The growth of the rubber manufacturing business in the United States from the time of its inception to the year before the war was remarkable, but the last four years of tremendous pressure has caused an advance equivalent to a ten or fifteen years normal growth. The only way that this industrial machine can be kept running full speed, is to insure continued assimilation of rubber goods in all parts of the world.

The trade feels quite confident that American rubber goods have finally replaced those formerly imported from Great Britain and Germany, especially in South America. Our rubber exports to Argentina were $150,000 per year before the war and in 1917 reached the enormous total of $1,800,000; we shipped rubber goods to the value of $715,000 to Chile in 1917 against $150,000 in 1914. It is true that competition will ultimately develop from foreign sources but the trade feels confident that the value of American rubber products has been proven to foreign countries and the foothold established will not be shaken in a long time to come. The immediate result may be a slight falling off in the totals exported to various parts of the world, but the expanding use of rubber goods will make up any immediate deficit and before many years increase exports substantially.

Good Activity in Tire End

Immediately after the signing of the armistice, tire manufacturers, large and small, laid out extensive plans for enlarged activity this year and from this year on. There are about 6,500,000 cars in operation in the United States according to statisticians and it is figured that about 36,000,000 tires will be required to fill the needs of car operators. It must be remembered, too, that the market is bare of new automobiles and that the automobile industry is striving valiantly to speed up production. Rough estimates place the number of cars that will be manufactured this year as between 1,000,000 and 1,600,000.

Those who expected considerable reduction in tire prices have been disappointed so far and it is probable that tire prices will be well maintained until the cost of labor and materials decreases further. Some materials such as cotton textiles and crude rubber have come down quite a little price, but the concessions in prices for tires already have taken care of this drop in the cost of production and not until the cost of living comes down, which in turn will reflect in a lower wage scale, will tires get back to near their pre-war prices. Manufacturers are having no difficulty in obtaining all the crude rubber they want as with all the Government import restrictions off, quantities of rubber are arriving in this country daily.

Needless to say, the rubber industry in all its branches is quite optimistic over the outlook. Although its war-time business was large, the real demand for rubber goods is experienced under peace conditions and the improvement in the situation now noted should soon develop into extensive activity.

* * *

Coal

No Settlement with Railroads Yet

While a better demand is noted in some quarters for both bituminous and anthracite, the market is still very inactive, consumers preferring to wait the outcome of such uncertainties as the adjustment of coal prices with the railroads, etc. Usually, after the first of April, the coal trade knows fairly well what to expect for the ensuing year, but so many unlooked for occurrences have arisen that some unsettlement still prevails.

Nevertheless, the trade is quite optimistic in face of difficulties. It is pointed out in trade circles that general industrial activity is beginning, and it will not be long before the reawakening of general business favorably affects the coal trade.

A lot is heard among coal men of labor troubles at the mines. On the surface the labor situation is satisfactory, but conditions are smoldering beneath, and many in the soft coal mining regions predict labor troubles at the mines when the Peact Treaty is signed.

Coal conditions in various parts of the country are not the same. Around New England, for example, business is very slow as the textile manufacturers are in the throes of labor difficulties and many of the large coal consuming mills are closed down. On the other hand, the Middle West is buying soft coal in more liberal quantities than for some time.

Railroad Controversy Still Unsettled

Needless to say, the trade was greatly disappointed at the stand taken by Director General Hines on the question of railroad fuel. The trade points out that if they are obliged to sell the railroads coal at less than cost consumers will have to make up this difference, and this is contrary to the stand taken by President Wilson some time ago when he stated that the government and the people were one and should pay the same price. Neither the public nor coal operators see any reason why consumers should be forced to make up part of the railroad's heavy operating expenses.

What the railroads will eventually pay for their coal is still a question. A definite understanding should be reached by the end of this month, or the beginning of next month at the latest. Since the railroads are the largest coal consuming industry in the country, the coal trade would feel better secured if the entire controversy were out of the way.

Export Activities Hampered by Lack of Bottoms

America has the chance to replace Great Britain as the world coal market, but the alluring export activities cannot be reached for lack of ships. Before the war Great Britain had a monopoly of the export trade in coal as she had plenty of ships to send it in and foreign markets were well under her thumb. Due to the heavy draft of labor for war purposes, production of coal by Great Britain has dropped from about 287,000,000 tons in 1914 to 230,000,000 in 1918.

American coal circles are continually receiving inquiries from France, Italy, and Denmark. In addition, there are several large orders in the market from South America (where Great Britain formerly enjoyed a monopoly) but so far, American producers have not been able to take advantage of the opportunity because of the lack of tonnage. It should not be long, the trade thinks, before some of this business is actually obtained, and the trade hopes that our shipping conditions take a turn for the better before former coal exporters regain their status in the field.

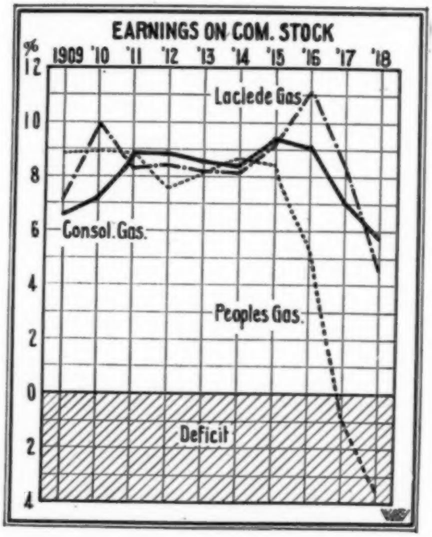
Good activity is reported in the anthracite end of the industry, especially for domestic grades. The price for domestic coal will be advanced 10 cents a ton by May 1st, and many small consumers are placing orders.

Three Important Gas Companies

Consolidated Gas, People's Gas, and Laclede Gas have been adversely affected by increased costs— All need higher rates as costs are not declining.

By FREDERICK LEWIS

THE gas companies were not, unfortunately for the stockholders, among the large number of corporations that saw their profits leap upward as a result of the great industrial activity caused by the world war. In fact, in the case of nearly all the companies manufacturing gas for the large cities, the reverse was the case. The explanation is the same for all increased costs without any increase in the price charged for gas to offset these higher costs.



The gas companies have little to hope for this year in the way of reduced costs. What is needed in order to put the companies back on the same basis they were before the war is increased rates for gas. All the companies are making efforts to get a square deal, that is to say, to get a price for gas that will yield them a fair return on their investment.

The Consolidated Gas Co. brought suit in January, 1919, in the Federal District Court, asking that the 80-cent gas law enacted by the Legislature in 1906 be declared invalid because it was unconstitutional on the ground that it is confiscatory of the company's property. The United States Supreme Court upheld this law in 1909, but gave the company leave to apply again under changed conditions. It is believed that the company will be able to prove conclusively that the statutory rate is confiscatory, under present conditions and that, therefore, the law should be set aside on constitutional grounds. It would appear that this suit has very fair promise of success.

In July, 1918, the Illinois Public Utilities Commission granted the People's Gas Light & Coke Co. permission to raise its gas rates 27½% to 88 cents. It is estimated that this increase will net the company about $4,500,000 additional revenues annually. The Illinois Public Utilities Commission, however, has recently ordered reopened the question of gas rates on the grounds that the increase allowed last July was an immergiency measure which was justified then but that justification for higher rates must now depend on nature of service rendered. It is believed that the company will be able to show that the increased rate is still justified. This company is also being sued for $11,000,000 rebate claims, but it is expected that the company will win this suit as the decision of the Illinois Supreme Court in October, 1918 holding that the legislative act of 1905, granting the City of Chicago the right to establish gas rates by ordinance, is unconstitutional, has materially strengthened the company's case.

Laclede Gas Light Co. has filed schedules with the Public Service Commission of Missouri providing for an increase in the company's gas rates of 25%. The management believes that the Commission will act favorably upon the company's petition.

It can be seen that while these three companies have good prospects of getting rates which will return a reasonable profit under present high operating costs, the question is not yet settled and the possibility of disappointment remains.

Position of the Three Companies

Net earnings of Consolidated Gas from its gas business amounted to only $94,900 in 1918, "other income," consisting principally of earnings of its subsidiary companies supplying electricity, totaled $7,141,372 and enabled the company to report net income equal to 5.7% on its stock. Dividends for the year were 7% so that there was a deficit of $1,292,393, comparing with a surplus of $753,922 in 1917.

The asset value of Consolidated Gas common stock is far greater than the price the stock commands in the market (95). Assets of the Consolidated Gas Co. proper equal $132 a share on the stock. This is, of course, book value but the book value in this case is regarded as decidedly conservative. In addition the company has large equities in the surpluses of its several controlled and affiliated companies. Adding the book value of these equities and the total assests applicable to the common stock equals approximately $200 a share. This asset value behind the common stock does not mean much however, unless the company is allowed to charge a price for its product that will give a reasonable return on its investment.

People's Gas Light & Coke Co. was much harder hit by conditions arising from the war than was Consolidated Gas. The latter company has been able so far to maintain the dividend of 7% on its stock, because of the earnings of its electric companies, but the former had no such source of "other income." People's Gas net income dropped from $3,228,966 in 1915 to $2,077,258 in 1916. In 1917 there was a deficit, before dividends, of $365,201 and in 1918 the deficit was $1,366,628. This poor showing caused the company to suspend dividends on the stock altogether in October, 1917, and none have been paid since. The company will undoubtedly make a better showing in 1919, if is allowed to maintain the increase in rates that were put into effect in July, 1918. There is no likelihood of dividends being resumed on the stock, however, until the question of rates is entirely settled. On this question Chairman Samuel Insull recently stated: "Under present conditions there is no thought of resuming dividend payments on People's Gas stock."

In October, 1917, the company started construction of a coal gas plant, but because of conditions arising from the war, such as the impossibility of obtaining labor and materials little was accomplished during 1918. Work on this plant, is now going forward.

Laclede Gas Light in 1916 reported net income of $1,324,195, in 1917 net income was $1,043,181 and in 1918 there

TABE I—CONSOLIDATED GAS, PEOPLE'S GAS, LACLEDE GAS—PRICE RANGE OF COMMON STOCKS

	Consolidated Gas		People's Gas		Laclede Gas	
	High	Low	High	Low	High	Low
1909	165¼	114½	120	101½	113⅜	104
1910	160⅜	122½	116¾	103	116½	93¾
1911	148½	128¾	109	101½	114½	101¼
1912	149½	135¾	122½	104	108¾	102⅛
1913	142⅜	125⅛	129¾	104	104½	91
1914	139½	112½	125	106	101	85
1915	150½	113¾	126½	106½	101	85
1916	144¾	129¾	118	100⅛	118¾	100
1917	134⅝	.76½	106¼	35	103⅞	80
1918	105⅜	82¾	61	39⅝	90	82
*1919	98	87⅛	53	45⅛	83	69¾

* Up to April 15.

was a further decline to $610,117. Despite the fact that earnings in 1918

TABLE II—CONSOLIDATED GAS, PEOPLE'S GAS, LACLEDE GAS—DIVIDEND RECORD

	Cons. Gas	Peo. Gas	Laclede Gas. Com.	Laclede Gas. Pfd.
1900.....	6%	6%	4%	5%
1901.....	8	6	4	5
1902.....	8	6	4	5
1903.....	8	6	4	5
1904.....	8½	6	5	5
1905.....	8½	6	5	5
1906.....	5	5	5	5
1907.....	4	6	5	5
1908.....	4	6	5	5
1909.....	4	6¾	6	5
1910.....	4½	7	6½	5
1911.....	6	7	*7	*5
1912.....	6	7	7	5
1913.....	6	7¼	7	5
1914.....	6	8	7	5
1915.....	6¾	8	7	5
1916.....	7	6½	7	5
1917.....	7	3½	†17	5
1918.....	7	..	7	5

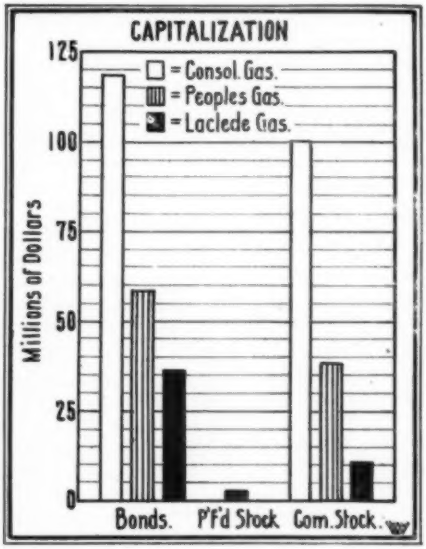
*Also stock dividend of 10% on common and preferred.
†10 extra paid on Jan. 2.

were only equal to 4.53% on the common stock the company has so far maintained its dividend of 7%, paying the unearned balance out of profit and loss surplus, which stood at $1,142,807 as of December 31, 1918. Unless the company gets further relief in the way of increased rates, it is doubtful if the 7% rate can be maintained much longer.

In March, 1919, the company sold $11,000,000 7% 1st Mortgage Collateral & Refunding bonds Series A., convertible into common stock at par. The proceeds of this issue are to be applied to the retirement of $10,000,000 1st 5s which mature May 1. In the second graph the bonded debt of the company is given as $36,000,000, after May 1, it will be reduced to $25,000,000 by the retirement of the 1st 5s.

Value of Securities

The present position of the stocks of these three gas companies can be described as follows: They are all selling at considerably lower prices than they commanded before the war; the properties have been well maintained and the asset value of the stocks is just as high now as before the war; if the companies are able to obtain a rate for gas that will enable them to earn a fair return on their investment, there appears to be no good reason why the stocks should not gradually work up to the levels at which they sold before the war. The whole question is, therefore, will the companies be able to get a square deal? Competent authorities are of the opinion that they will ultimately. It will probably take considerable time before the problem is satisfactorily worked out, however, and for



that reason it is the writer's opinion that many other securities offer better opportunities than do the gas stocks. Of the three Consolidated Gas appears the most attractive, because of the large income it receives from its electric subsideries.

Consolidated Gas 6s, convertible into stock at par up to Feb. 1, 1920, when they mature, can be regarded as a sound investment, and the convertible feature might prove of value, especially should the company receive an increase in gas rates before the bonds mature. The yield on these bonds at the current market is about 5%.

NATION-WIDE INCREASES IN TRACTION FARES

Increases in Rates Granted by 348 Cities—Approximately 23,000,000 People Affected—Some Communities Accepted Without Protest, Others With Hostile Demonstrations

By N. C. KAMPF

IT is indeed interesting to note that while Brooklyn Rapid Transit, which a short time ago was considered a sound investment, is now in the hands of a receiver, while the Interborough has become insolvent; and while Third Avenue is in a deplorable condition, cities in forty-two states have deemed it advisable to grant increased fares, in one form or another, to their street railways.

While it appeared that daylight was in sight for the New York tractions with the passing of the seven-cent fare bill, the tactics employed were not of the best, and with the closing of the two houses the bill became dead, after having passed the lower house.

Failure to give these increases might have meant financial disaster to many of the companies operating in these centers. The states not represented in the long list in which street railway fares have been increased are: Florida, Idaho, Kansas, Nevada, Tennessee and Wyoming.

During the world struggle prices of commodities showed a tremendous increase. The advances affecting tractions ranged from cast iron wheels, which increased 64%, to brass and tool steel, which increased 300% and 400%, respectively, the average equalling 149%. Because of this extreme inflation, we have had our "war brides" from Bethlehem Steel down to Curb issues, which in pre-war times sold in cents quotations. On the other hand, it is quite evident that companies whose rate of fare is limited by franchise or charter necessarily found the going hard during a period of rising prices which, as far as the tractions were concerned, meant only rising costs.

In 42 states and in Canada 348 cities have granted increases ranging from 5c. down to merely an elimination of reduced rates. The table herewith gives the number of cities, population served and the new rates of fare. Without going into details, it is sufficient to say that nearly 400 companies in the United States were given relief by increases in fares. Of these 158 cities have a population of more than 40,000 each, and 63 cities out of 67 having a population of 100,000 or more each have granted increased fares or have applications pending.

Many millions of persons are now paying higher fares. As a matter of fact, about one-fifth of the population of both United States and Canada are subject to this increase in rates. Among the larger cities in the higher fare list are Baltimore, Boston, Chicago, Cleveland, Columbus, Denver, Fall River, Grand Rapids, Hartford, Indianapolis, Jersey City, Los Angeles, Lowell, Milwaukee, Newark, New Orleans, Pittsburgh, Portland, Me., Portland, Ore., Providence, St. Louis, Toledo, Troy, and Washington. Tacoma, Washington, under municipal ownership, is charging a ten cent fare, as are a number of other cities.

How the Increases Were Accepted

The different increases in fares were taken in about as many different ways. Sioux Falls, S. D., in a referendum to its citizens, voted to increase its fare to six cents as did Walla Walla, Washington, to eight cents. In this latter city, the question before the voters was whether the fare should be increased or the company forced into bankruptcy. The situation was aptly sized up by the Walla Walla *Union* thus:

> "The increase of fares under the most favorable conditions can only be sufficient to pay the increase of the new wage scale demanded by the employees and pay for additional labor required to maintain a property that has been somewhat neglected on account of lack of funds during the past few years."

Grand Forks, N. D., is served by the Grand Forks Street Railway Company. Hit by increased cost of operation, the company, after careful consideration of the matter, decided that a seven cent fare was needed in order to cover cost of service. The General Manager appeared for the first time on Sept. 11 before the City Council, explained the situation and asked an increase to seven cents. It was immediately granted and made effective Sept. 15. Reports are that the increase was accepted by the public without protest or criticism. This shows the amiable relationship between the company and the public.

The subways, elevated and principal surface lines of Boston are under a State board of trustees, who may fix fares as necessity demands. A guaranteed return on the capital invested (by the city) is provided by law, and if the revenue from fares does not produce the required amount, it must be made up by taxtion. On July 1 the fare was increased from five cents to seven cents, effective August 1. After four months of operation at this rate, a deficit was shown, and the fare was again raised to eight cents. A deficit is still indicated.

In Newark, Jersey City and Passaic, New Jersey, it was proposed to revoke the franchises granted by the municipalities because the fares charged today were more than five cents. The contention was that the increase in the fare was a violation of a contract entered into by the public service corporations and the cities, for the franchises expressly stipulate that the fare should be five cents. (The court recently took the matter into its hands, and a decision was reached that the public utility companies did not violate their contracts when the fare was increased. The fare originally was seven cents now reduced to six cents. However, the company operating in Essex and Hudson counties has now pending before the Public Utility Commission, a zoning system. From outward appearances, it seems that this system will not go into effect.)

The Newark *Sunday Call* in a short article under the head of "This Is Bed-Rock Truth!" gives an idea of the situation.

"Whether this insistment (alleged breach of contract*) is sound in law the courts will decide, and laymen may wisely leave the question to them. It may be said, however, that the municipalities' chance of revoking the franchises seems small, in view of the fact that both the Supreme Court and the Court of Errors have held that the Board of Public Utility Commissioners has authority to raise or lower fares despite any action taken by municipal boards in past years.

"But upon the fairness of the proposal to revoke the franchises because the fare has been raised any man may form an opinion. And in doing so some familiar facts should not be overlooked.

"First, the real worth of a dollar, or a nickel, is not the figure engraved or impressed upon it, but its purchasing value. This is recognized in the fixing of wages, and therefore in late years wages have been raised because the purchasing power of the dollar has declined.

"Second, applying the axiom to trolley fares, if the purchasing value of the dollar or nickel has declined 50%, the old five-cent fare is now not more than a 2½ cent fare. John J. Stanley, in a recent address before the Ameri-

TABLE SHOWING NUMBER OF CITIES WHERE INCREASED FARES ARE EFFECTIVE AND NUMBER OF PERSONS SERVED

Fares Now In Effect	No. of Cities	No. of People Served
10c Fare	27	1,064,377
8c Fare	18	1,570,528
7c and 1c Transfer	17	1,563,271
7c Fare	70	1,440,112
6c Fare	155	§11,423,729
5c and 1c Transfer	7	644,939
Reduced Rates Eliminated	49	2,792,679
Under Zone Rates	22	2,669,888
	*365	23,169,523

§Including Chicago Elevated Lines.
* 17 Duplications; includes U. S. and Canada.

* Court decided it was no breach of contract.

can Electric Railway Association, commented upon this incontrovertible fact in a striking way. He said:

"'The wages paid to the motormen in this earlier period (when charters were granted) were approximately 20 cents an hour. With a single fare we could therefore pay for fifteen minutes of his time. Today, through the action of the Federal government, the motorman's pay approximates 38 to 40 cents an hour, and a single fare pays for but eight or six minutes of his time according to the rate of wages, and this invaryingly increasing ratio is true of all that we must use to render our service.

"'On the other hand, taking $2 a day as the average wage in the earlier period the workman using the street car to ride to and from his work was compelled to pay out 5% of his day's wages for transportation. Today with an average wage of $4, and this is probably much less than the correct figure, he pays for the same purpose but 2½%.'

"This is bed-rock truth, and reasonable men acknowledge it. That municipal officers should go on fighting it is hard to explain—in some instances. But if they enjoy getting knocked down in the courts, nobody will begrudge them that fun."

Other cities after the traction companies had been given increases did material physical damage to the property of the various companies. This is particularly true of the cities in the western states.

Public Pays Either Way

It must be remembered that if needed fares are not granted, the citizens do not stand to gain in the long run. No company can give good service for any length of time, unless it is making enough money to cover the costs of supplying such service, and is in addition showing reasonable profits. The community which denies to its public utilities increased fares, when they really must have them to maintain a high standard of service during a time of increasing costs for labor and materials, is therefore undermining the comfort, and indeed the safety, of its own members.

Another way in which the shortsighted policy of refusing traction lines necessary increases in fares reacts upon a community is by hitting its treasury. Municipalities have their budgets which must be met, and one of the largest tax payers, certainly in smaller cities and towns, is the traction company and other utilities. Obviously a concern that is making money can contribute more to the support of the community in which it is operating than one that is not even covering expenses.

The methods used in taxing traction lines vary quite widely. In some cases, it pays a certain per cent of every fare received. If 5% was paid, on a five cent fare, it would equal ¼ of one cent. If seven cents is charged, the tax would be 35/100 of one cent—in other words, one mill per fare more. If 100,000,000 people ride on that road during the year, the return to the city would be $100,000 more than the amount that would have been received at the five cent rate. If the fare is not increased, this additional $100,000 must be paid by the citizens.

Individual living expenses enter into a city's budget by the increases in salaries granted to officials and employees, and for that reason larger appropriations must be met. If the traction companies are not going to return more to the city's treasury then the people must do it. In other words, the people must face it one way or the other, and as shown the increase in traction fares is the preferable way.

Standard Gas and Electric's Ambitious Development Plans

To Become a Utility Oil Concern — Will Acquire the Valuable C. B. Shaffer Properties — Preferred Stock Especially Attractive

By JAMES SPEED

PLANS which are now nearing completion for increasing the spheres of activity of the Standard Gas & Electric Company are so ambitious that upon their completion the company will step into the rank of utility-oil concerns in somewhat the same manner that the Ohio Cities Gas Co. and the Cities Service Co. graduated from their former status as simon-pure utilities.

Some brief announcement covering the company's general plan has been made but the information has been meagre and unsatisfactory.

The company's debut into the field of the great oil producers will be through the acquisition of the business and oil properties of C. B. Shaffer. Our readers will recall that Mr. Shaffer was the individual who discovered the sensational Cushing pool which caused such a flurry in the oil world a few years ago. The properties to be acquired consist of between 50,000 and 60,000 acres of oil lands with a production of between 4,000 and 5,000 bbls. per day. In addition the Consumers' Refining Co., with a capacity of upwards of 6,000 bbls. per day, steel tanks with a storage capactiy of between 1,000,000 and 1,500,000 bbls., together with tank cars, service stations, etc., a going, producing and distributing concern, will be taken over. So that Standard Gas & Electric will start in as an oil producer controlling the entire cycle of operations—from well to market—and will, therefore, pay no tribute to the middleman. The oil lands to be acquired are situated in Shamrock and Cushing, Oklahoma, the Okmulgee district, and Butler, Kansas. According to reliable information a valuation of $12,000,000 was placed on these properties in 1916 and since that time their value has been greatly increased.

The Former Holding Company

Inasmuch as the entire character of the business of Standard Gas & Electric is undergoing a radical change, it is proper to speak of the former utility concern as the "old" company. The old Standard Gas & Electric Company was incorporated in 1910 under the laws of Delaware as a holding company, and is one of the largest in this country. Its original purpose was to acquire, operate and sell electric, gas, water and other utility companies. Space does not permit of a detailed statement of the enormous holdings of the concern, but some idea of the extent of its operation may be judged when one recalls that the company controls the following utility companies;

Arkansas Valley Ry. Light & Power Co., Fort Smith Light & Traction Co., Mobile Electric Co., Northern States Power Co., Oklahoma Gas & Electric Co., Ottumwa Ry. & Light Co., San Diego Consolidated Gas & Electric Co., Southwestern General Gas Co., Tacoma Gas Co., Western States Gas & Electric Co. of Delaware and California, Louisville Gas & Electric Co., Mississippi Valley Gas & Electric Co., Mountain States Power Co., and Puget Sound Gas Co. At the time of the holding company's last annual report the funded debt of its subsidiaries stood at the sizeable total of upwards of $92,000,000. The mentioned companies are controlled except the Mountain States Power Co. and Northern States Power Co., which are affiliated in interest. The Mountain States Power Co. controls eight subsidiaries

and the Northern States Power owns the stock of the Consumers' Power Co. which owns nine subsidiaries and controls nine other utility companies.

Gas and Power

The above mentioned companies serve a total population of upwards of 2,000,000, with 386,810 consumers of all classes. The company's gas plants have a 24-hour productive capactiy of 22,770,000 cubic feet, a holder capacity of 11,860,000 cubic feet, while the interurban mains extend 359 miles and local mains over 2,000 miles. There are 15 hydro-electric stations and 40 steam stations. The normal hydro-electric h. p. installed totals 67,231, while the normal steam power installed totals 214,311 h. p. The company has upwards of 2,000 miles of high tension transmission pole lines and 4,391 miles of distributing pole lines.

In the tabulation herewith a synopsis of Standard's earnings for the last eight years is presented with 1918 earnings estimated.

STANDARD GAS & ELECTRIC CO.
(Digest of Eight Years' Earnings)

Years Ended Dec. 31	Total Revenues	Net Revenues	Total Inc.	Net Inc.	Earned on Pfd.	Paid on Pfd.	Earned on Com.	Year's Surplus
1911..........	$1,008,014	$983,592	$995,592	$756,609	7.7%	7½%	4.6%	$344,253
1912..........	2,296,118	2,256,929	2,256,929	1,626,635	14.7	8	8.2	768,068
1913..........	1,539,311	1,502,804	1,502,804	751,780	6.3	†8	..	§160,640
1914..........	1,474,264	1,434,654	1,435,419	619,964	5.2	*7	..	§165,699
1915..........	1,588,953	1,545,927	1,576,441	742,371	6.3	‡4	..	270,979
1916..........	1,712,927	1,664,200	1,976,057	1,186,294	10.0	4½	2.6	581,330
1917..........	1,620,343	1,566,051	1,666,051	873,305	7.4	5½	..	111,207
1918..........	......	1,574,927	......	......	..	6	..	......

* Paid in scrip. † $362,456 in cash and $549,964 in scrip. ‡ $117,850 in cash and $314,265 in scrip. § Deficit.

Earning Power

The 1918 earnings have not been reported as this is written, but we understand that they run very close to those of 1917, which would indicate that earnings on the preferred stock were in the neighborhood of 7%. In the seven-year period including 1917, the company earned total net profits available for dividends of $6,556,964, or an annual average of $936,709, equal to a yearly average of 8.2% on the senior issue. The common fared badly during the same time, showing a total earned of but 1.9%, or an annual average of .2%. Accumulated preferred dividends totaled 13% or approximately $6.50 per share at the beginning of the current year and we understand that when the company announces its new financing in connection with the acquisition of the oil properties, the accumulated preferred dividends will be taken care of either by cash or stock. The old company had an authorized issue of $30,000,000 8% cumulative preferred, of which $11,784,950 is outstanding, par $50, while the authorized common stock totaled $15,000,000, of which $9,343,150 is outstanding, par $50.

Not including the funded debt of Standard's subsidiaries, the company's own funded debt on January 1 of the current year, consisted of $5,840,500 convertible sinking fund 6s, due Dec. 1, 1926, $6,772,100 20-year 6% notes, due October 1, 1935, $750,000 3-year 7% collateral notes, due Sept. 1, 1921, and $238,618 6% dividend scrip, due Sept. 1, 1923.

Terms of the financing through which Standard will take over the Shaffer properties have not yet been announced, but it may be assumed that additional securities will be issued. It is estimated that the combined earnings of the public utility and oil businesses last year showed a balance after all charges of an excess of $4,000,000. After allowing for the preferred dividends that would have left a balance of more than 32% on the former amount of common stock outstanding.

The new financing, it is estimated,

will be such that the demonstrated earnings will be sufficient to pay all charges and preferred dividends in full on the new capitalization and to show a balance on the new common stock after taxes, depreciation, etc., equivalent to between 10% and 20% per share.

Prospects for Securities

Until the terms of the company's new financial status are announced it would be futile to attempt to comment on the funded issues. As it is expected the back preferred dividends will be paid off and the issue placed on an 8% basis it would appear that at 45 the old preferred is decidedly cheap. On that price and on the present 6% dividend basis the issue returns 6.6%, and on an 8% basis the return at that price would be nearly 9%. There is also the additional inducement of the refunding of the back preferred dividends.

The common stock offers exceedingly attractive possibilities. It would appear that on the basis of earnings already demonstrated that the junior issue should soon be in a position to pay dividends. In reference to the common's future it should be remembered that less than 15% of the new oil holdings have been developed and that there has been no attempt to expand earnings by forcing present production. The Shaffer holdings are of great potential value, which will be developed by experienced management with the best of financial backing.

Wall Street Jottings

Thomas W. Streeter has been elected Vice-President of the American International Corporation to succeed Robert F. Herrick, resigned. Joseph S. Lovering was elected Treasurer in place of Mr. Streeter.

Arthur C. T. Beers has been elected an Assistant Secretary of the Franklin Trust Co.

William C. Lane, vice-president of the Guaranty Trust Co., has returned from a trip to China as representative of the Asia Banking Corporation, an affiliated company, of which he is also a vice-president.

A. E. Borie, president of the Savage Arms Corporation, has become associated with George W. Goethals & Co., Inc., consulting engineers.

The Asia Banking Corporation opened its central branch in the Far East at Shanghai last February. Since that time a second branch has been opened in Hankow, and now arrangements have almost been completed for opening five additional branches at Peking, Tientsin, Changsha, Canton and Hong Kong. The Peking branch will be opened on May 1, and those at Tientsin and Hong Kong on May 15.

Members of the New York Stock Exchange have been informed that the Governing Committee has approved formally the formation of a fidelity insurance company by members of the Stock Exchange firms.

William Loeb, Jr., has been elected a director of the Federal Smelting & Refining Company in place of William J. Hall, resigned.

Sir Mortimer B. Davis of Montreal has been elected a director of the United States Rubber Company to succeed E. B. Davis, who has resigned.

W. Frank Newell, who retired from the firm of J. R. Williston & Co. on the 1st of April, is now connected with C. I. Hudson & Co.

Edward H. Garcin, president of the Asbestos & Rubber Works of America, has been elected a director of the Gotham National Bank to take the place of Dr. Thomas Kelly, deceased.

J. Newton Marshall has been appointed manager of Logan & Bryan's office in the Homestead Hotel, Hot Springs, Va.

Mercantile Trust & Deposit Company has become the transfer agent for Adams Express Company.

Louchheim, Minton & Co. have issued their 1919 edition of the "Dividend Guide."

People's Trust Company of Brooklyn has certified that it has increased its capital from $1,000,000 to $1,200,000.

F. T. Walker, New York agent of the Royal Bank of Canada, accompanied by a party of eight officials of the bank, have gone to South America on board the "Vestris." With the party is C. C. Pineo, who has been appointed supervisor of the bank's South Amercan branches.

J. K. MacGowan has been elected a director of the Chile Copper Company in place of F. R. Foraker.

Louis D. Stanton has been admitted to membership in the New York Stock Exchange firm of R. H. Simpson & Co.

Carl D. Gray has been elected a director of the Atchison, Topeka & Santa Fe Railway to fill a vacancy.

Nathan C. Kingsbury, vice-president of the American Telephone & Telegraph, has been elected a director of the National City Bank.

George Charles and J. A. Buell have been elected directors of the United Alloy Steel Corporation to succeed E. D. Rogers and E. H. Wells, resigned.

The National City Bank expects to open its seventh branch in Cuba. It will be located at Camaguey, with the offices of the International Banking Corporation. This makes a total of forty-nine foreign branches.

Luke, Banks & Weeks have opened a new oil department which will be in charge of Earl Harris, formerly associated with the American Red Cross at Washington.

The American Steam Conveyor Corporation, Chicago, has appointed Charles H. Florandin, formerly of the National Electric and Welding Company, general manager of their Eastern territory with headquarters at the New York office, 110 West Fortieth Street.

The American Exchange National Bank today declared an extra dividend of 2 per cent a share on the capital stock in addition to the regular semi-annual payment of 5 per cent. The dividends are payable May 1 to stock of record April 24.

Leading "Boston" Coppers

By DONALD R. HANSON

Shareholders Worried Over Trade Conditions—Pessimism Unwarranted?—Some Cheap Stocks

Boston's leading dividend paying copper stocks are selling close to the lowest prices in the past decade. That is a plain statement of fact that will be borne out by the cold statistics. Furthermore, when one considers that at least one period of exceedingly hard times has been experienced during the past decade, prior to the present depression, it suggests that some fairly cheap stocks are for sale.

How much copper would we have consumed were there no war? From 1900 to 1910 our consumption of copper grew from 350,000,000 pounds to 750,000,000 pounds. Going back even further we find that from 1890 to 1900 the consumption doubled. It is not unreasonable to suppose that our normal consumption is now approximately 1,500,000,000 pounds per annum, but until business gets on its feet again, it is probably temporarily less. Add to this a normal export of copper annually, on the basis of pre-war figures, if you choose, and there is a demand in sight for about 725,000,000 more pounds of copper.

In all probability 15¼ cents for copper today is relatively as low as 12 cents was before the war. Twelve cent copper measured pretty poor conditions in the copper industry a few years ago. This statement is based on the element of inflation which has entered into the price of all commodities. The academic view of the quantity theory of money, so well expressed by Professor Irving Fisher, is proving its practicability today, and the quantity of money in circulation today, as well as its rapidity of circulation, is much greater than before the war brought about a tremendous expansion in credit all over the world.

If a guess may be ventured here it is that the average price of copper during this period of inflation will range well above 18 cents under normal business conditions and well above 20 on any kind of prosperity. In other words, ten years ago you could buy a quart of milk for 7 cents; now it is low at 15. A car fare was a nickel; over most of the country it is now 6 cents or more. Your suit of clothes that cost $40 before the war is now $60 or more, and so on. Then why not a higher average price for copper?

Calumet and Hecla

This sort of preliminary is absolutely necessary in order to form an intelligent opinion of copper stock values. Readers are more interested in a dollars and cents discussion of the best copper shares in which the copper men of Boston are interested. When shares of any description are selling not only relatively cheap, but positively so, it is the part of wisdom to scan the merits of those which have had the best record in former years of depression. Accordingly it is highly apropos that a discussion of this sort begin with the Calumet & Hecla Mining Company, a company which has had a most romantic career, which has weathered every financial storm without and withstood the ravages of fire within, and which has returned to its stockholders, on their paid in capital of $12 a share, dividends of $1539 per share.

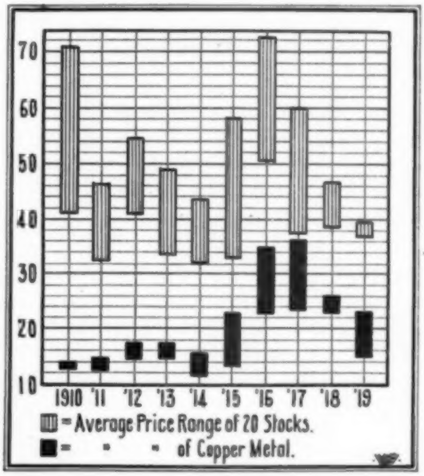
Last month the directors of the Calumet & Hecla Mining Company failed to take action on the dividend usually declared the first quarter of the year. Sales of the stock were recorded shortly afterward at as low as $350 a share, equal to the low of 1914, but less than 300 shares were recorded below $400 and the price snapped back quickly. In 1914 the directors omitted the September and December quarter dividends, which further bears out the analogy between conditions then and now. It has not been sufficiently clearly emphasized, however, that dividends have not been definitely passed, in the sense that is usually implied. Of late years the dividends have been declared fairly regularly each quarter, but the dates vary from quarter to quarter and there is a semblance of irregularity about the payments.

It would not be far from correct to state that when the funds are in hand the dividends are paid and this is one company that is being operated for stockholders, not insiders. Calumet & Hecla has never paid less than $15 a share in a single year since 1871, save in 1914 when $10 was distributed, a sum later made up ten fold. In 1898 it paid $100 a share and as recently as 1917 $85 a share. With a working capital at the end of 1918 of $12,565,000 ($125 a share) it is difficult to believe that a precedent will be established this year by omitting all payments for the first time in fifty years.

Contrary to the usual belief, the Calumet & Hecla is not the oldest mine in the Lake Superior district. Between 1852 and 1866 the Franklin, Quincy and Pewabic were leading producers there, but in 1866 the old Calumet mine made its rich strike of native copper running nearly up to 100 pounds to the ton. Later it was consolidated with the old Hecla. The original Calumet mine operated on the Calumet conglomerate bed and none of the rock taken from this lode in properties to the north and south ever proved as rich. Below the 4000 foot depths, where much of the work of late has been, however, the rock has decreased in value. Parallel to this lode is the Osceola amygdaloid, production from which has increased from 15,000,000 pounds annually five or six years ago to 19,000,000 pounds lately, contrasted with a yield of more than 50,000,000 pounds from the old Calumet lode at present. Its third important lode, the Kearsarge, has proved erratic and very little work has been done since 1913.

When it is appreciated that the copper now is often recovered from as little as 1½ per cent rock, or 30 pounds to the ton, it is apparent that Calumet & Hecla is one of the great low grade mines, although it is never regarded as such. By reducing costs from $10 a ton down to $2 the management has kept abreast of the time and is now able to make a very substantial profit from treating its old tailings that were thrown away at its mills or dumped in the lake. Experiments have proved the value of the new leaching process which should rejuvenate the entire district so far as the flake copper is concerned, a grade formerly of little value.

Aside from its mining property, however, the company owns a controlling interest in a half dozen neighboring properties which have consistently paid large sums into its treasury. In 1918 the returns from these dividends aggregated more than $18 a share on the Calumet &



Hecla stock, and the actual earnings of these subsidiaries were considerably larger.

Quincy

Calumet's record may seem remarkable from the standpoint of huge dividend payments, but the record of the Quincy is one that makes Calumet appear youthful and many of the western properties positively in swaddling clothes. The Quincy was organized in 1848 and with the exception of 1866 and 1867 has paid dividends every year since 1862. It weathered the "after-the-Civil-War" period and it probably will weather the readjustment period after this war in even better shape.

Quincy, unlike many mines, however, improves with age. Some years ago the Quincy rock averaged around 15 pounds to the ton. Lately it has been running at 20 pounds to the ton,—February's average,—and in March the average was 19.5 pounds. All of Quincy's shafts are deep,

yet contrary to Calumet & Hecla's experience, the rock seems to improve with depth. The Pewabic lode, it is believed, will soon demonstrate that it is an exception to other Lake Superior lodes in this respect. Quincy has completed the best hoisting engine building in the lake district and a plant has been constructed which will pull a skip 14,000 feet, the longest haul from any shaft in the world. Furthermore with its increased mill capacity further savings are expected in the recovery of copper. Yet Quincy is selling at this writing (56) less than 5 points from the 1914 low price and more than 50 points under the highest in the war period. Moreover, it was not many years ago that Boston traders were falling all over each other to buy the stock up to $190 a share.

Isle Royale

Perhaps one remarks that these are ancient properties. The big profits have already been made here. What of the future in the lake district? The best answer to that is Isle Royale. The Isle Royale Copper Company is one of the coming mines of the lake district. When other mines have been reducing or eliminating dividends the Isle Royale has blissfully continued to remit its usual dividend checks each quarter and the best of it is that all indications are that it can continue to do so even under present conditions, because it is operating at a profit.

Isle Royale's costs last year averaged 16½ cents per pound, on the highest wage scale ever seen and under tremendous obstacles, not common to this company alone, but to all lake coppers, especially that of transportation and labor shortage. Wages have since been reduced, along with the cut in the cost of production. Efficiency has been improved and there is every indication of lower costs this year.

Although the company really began dividends in 1913, with the payment of $1 a share, it was not until 1916 it started in earnest and since then has paid $12 a share. Ten years ago this company did well when it produced 7,500,000 pounds of metal at 11 cents a pound; last year it produced 15,376,000 pounds. It is one of the finest examples of a low-grade producer in the lake district, relying wholly on a large volume of tonnage handled to swell its production records. The copper content at this mine frequently has averaged between 12 and 15 pounds to the ton, but lately it has been over 15 pounds. Electric haulage and modern improvements are expected to promote the efficiency of this property and possibly double the output.

The Isle Royale is more favorably regarded among the junior dividend payers, in Boston, than almost any other lake copper that could be named. The stock sold above 50 when it was a prospect. Since paying dividends it has never sold above 43, but it would seem nearer worth that price than its current quotation around 26.

Calumet and Arizona

One of the most promising Arizona properties from a mining share standpoint is the Calumet & Arizona. The trader is familiar with the $6.36 per share earned last year against $10.32 in 1917, but he is less conversant with its prospects, it is safe to say. These figures probably measure the earning power of the company under ordinary metal market conditions. However, the company, a couple of years ago, took over the New Cornelia Copper Company, purchasing 918,821 out of the 1,800,000 shares outstanding, which cost on an average of $1.76 a share, and $3,100,000 of New Cornelia's bonds, which are convertible with stock at $10 a share. In developing this property the Calumet & Arizona has been under a considerable expense for some years, but the time is not far distant when a substantial return may be expected.

Last year the New Cornelia returned profits of $1.40 a share. From a prospect, less than two years ago, the New Cornelia developed to a producer of 46,950,000 pounds last year and it possibly may produce more, given any improvement in conditions.

One does not have to dwell on Calumet & Arizona's past performance from a dividend standpoint. It has been excellent. Dividends have never been omitted since they were begun in 1903.

It is the future that has the lure about this property.

Furthermore, development work is being aggressively pushed on the Gadsden property, of which company the Calumet & Arizona has an option to buy 70 per cent of the outstanding stock. This is a neighbor of the famous United Verde and the Extension, a district which for many properties has proved to be either immensely profitable or a dead loss. A shaft has been sunk 1230 feet and a cross-cut started west at the 1200 level. The Jerome fault is estimated to be 1600 feet away and already the cross-cut is 1100 feet in. Certainly it should not be long before the status of this company can be measured. Not only is Gadsden of great speculative importance to Calumet & Arizona, but its own shares are regarded by very good judges of geological conditions, as a reasonable speculation.

United Verde Extension

To mention the copper stocks in which this mining centre is interested without touching upon United Verde Extension, however, would be unpardonable. Calumet & Hecla's rise to $1000 a share some years ago has been thrown into a total eclipse by the advance in this stock from a low of 28 cents a share in 1914 to 50½ last year.

Senator Clark's discovery of the United Verde, a tremendously valuable mine, stimulated exploration work in the neighborhood for years, but not until the United Verde Extension opened up a body of ore varying in width from three to ten feet on the 1200 level, in December, 1914, was there any encouragement for the management. Conservative estimates of the million tons of ore blocked out between the 1300 and 1400 foot level place the copper content at 16 per cent. That is to say, 320 pounds to the ton. The comparison with the 15 pounds obtained from profitable little Isle Royale is hardly fair since one is chalcopyrite and the other is native copper. In King's English chalcopyrite, as found at United Verde Extension, is a copper sulphide containing 34.5 per cent copper and about 30.5 per cent iron, but the methods of treatment differ.

Obviously United Verde Extension, with such a rich ore body, promises to be, if it is not already, one of the world's lowest price copper producers. Under reasonable wage scales and average efficiency it will be the exception when its mining costs exceed 6 cents a pound. Late year the company finished the construction of a new smelter, a factor which promises to add to the earnings by reducing the company's lower grade ores. Labor troubles have necessitated a closing down of the property lately, but in view of the disposition everywhere for producers to conserve their metal, rather than sell on current low prices, it is hard to see how the stockholders are likely to loose any sleep over this.

Conclusion

Summed up: The average price of copper metal in the last thirty years, entirely aside from any price inflation due to the war, was not less than 15½ cents per pound. The growth in normal consumptive requirements for copper all over the world suggests that present productive capacities of the efficient copper producers will be tested to the limit before long.

Copper stocks are selling at low prices, compared with other periods of similar depression. For those who prefer mining issues which have proved to be seasoned dividend paying stocks, therefore, it would seem that accumulation around these prices is infinitely better judgment than it was when the market was soaring two years ago.

The outlook for the immediate future may not be clear, but it does not seem worse than 1873, 1893, 1907 or in 1914. Men have been unable to get along without copper since the stone ages; certainly they will need it in these days of increasing utilization of electricity.

Three Active Curb Issues

Aetna Explosives Turning Banker?—Position of Cosden's Securities—What Is United Profit Sharing Worth?

By A. U. RODNEY

PLENTY of thrills are afforded in the "Bush" league of securities. When we witness a major league baseball game we look for action but expect it in an orderly fashion. In the "Bush" league or on the "sand lot," however, we look for less baseball and more thrills. So it is that the New York Curb produces some of the most spectacular moves in securities. Many of the securities traded in on the outside market are going through the seasoning process necessary to their graduation to the New York Stock Exchange.

With recent rising markets, many curb issues have become active and Aetna Explosives, Cosden & Co. and United Profit have had their share of attention. What is the position of these companies and the value of their securities?

Pending Developments in Aetna

Of all the "war babies" Aetna Explosives has probably gotten itself in and out of more fixes than any of the others. Incorporated at the end of 1914, the company took over the Aetna Powder Company and several other powder companies which it controlled directly or through stock ownership. The two Aetna Chemical Companies were taken over later as subsidiaries.

A large number of plants situated in various parts of the country are operated by the Aetna Explosives and their principal products are dynamite, electric blasting caps, fulminate of mercury, black powder, etc. Apparently everything went well until the Spring of 1917 when out of a clear sky a receiver was asked by the Grasselli Chemical Company for Aetna on a claim of $103,655. This unfortunate situation was brought about by unavoidable financial difficulties.

Operations in Receivership

When the receivers took control in April, 1917, the debt of the Aetna Explosive Company, Incorporated, to general creditors was as follows:

For notes, etc.	$1,741,342.19
General merchandise, creditors, etc.	2,876,133.39
	$4,608,475.58

The receivers succeeded in paying off the notes which were secured by bonds of the company by July, 1918. Out of the above total liability, $3,505,684.31 were claims secured by bonds or other collateral, claims for wages, etc., which had to be paid before the general merchandise creditors could get anything.

In March, 1918, a total of $677,654.50, representing 50% of the amount of the claims to general creditors admitted by the receivers, was paid. About three months later claims not in excess of $200 were paid in full and a second dividend of 25%, making a total of 75% of the amount owed, was paid. The 75% dividend called for a total disbursement of $995,525.97.

In June, 1918, the Court directed further that those creditors who wished to avail themselves of the option to receive the balance of their claims in Liberty Bonds of the 4¼% issue at par, plus accrued interest, could do so. The sum of $50,012.24 was paid out under this arrangement, leaving a balance of claims still outstanding on July 31st, 1918, of $309,084.84.

Despite the handicap of financial embarrassment, the company's earnings showed up quite favorably. In 1916 $79.30 was earned on the preferred stock and $6.47 on the common. In 1917 earnings were slightly less, as $65.74 was earned on the preferred and $5.14 on the common. The receiver's record is as remarkable as it is unusual. When the company was taken over the total claims against it amounted to $16,704,405, including $5,763,300 of bonds claimed to be due. By January 1st, 1918, approximately $8,000,000 of these had been paid off. At present nearly all of the claims have been paid off and the company is in good shape as far as this is concerned.

Earnings and Equities

Earnings under receiver's operations were extremely good. Large contracts were entered into with the U. S. Government for smokeless powder, acid, etc., on a profitable basis and the last of these are being cleaned up now.

Probably most interest is attached to the equities behind the common shares and what they will be worth in liquidation. On August 1st, 1918, the net tangible assets applicable to the common stock amounted to $17,415,133 or $28 per share of no par value. Net current assets right now are more than enough to retire the bonds at par, the preferred stock at par, and its accumulated dividend, leaving a substantial sum for the common stock. This is not including the plants, good-will and profits on present contracts that have not been figured so far.

It is conservative to estimate that $12,000,000 will be realized for the common stockholders after bonded indebtedness, preferred stock and back dividend and all other claims are cleared up. This would mean about $14 a share. This estimate is low, too, since the plants are figured as junk and nothing is allowed for good-will.

Aetna's Future

Various plans for the reorganization of the company have been formulated and offered from time to time, but the one finally accepted by the committee was formulated by Judge Mayer. This plan provides that the bondholders accept either 85% in cash or 100% in new 6% 20-year bonds, 1/12 of the bonds to be retired each year. The preferred stockholders are to receive $15.75 in cash, this being the arrears in dividends, and $5 in cash on account of the principal. Furthermore they will receive 75% in 25-year 6% bonds, 4% of these bonds to be retired annually at par.

The company has now outstanding $2,300,000 in bonds. As quick assets amounted to about $11,000,000, the company should have about $8,000,000 in current assets, equivalent to $12.65 a share on the common stock, after the bondholders and preferred stockholders are paid off as stated above. The company's plants are worth at least $2,000,000 and this sum would be equal to between $3 and $4 a share more on the common stock.

Thus it can be seen that under the plan as a liquidating proposition, Aetna Explosives common would be worth considerably more than it is now selling for. There is no reason why stockholders should not get at least $12 a share after all expenses and deductions.

Many rumors are current as to what the company is likely to do. Some maintain that it will continue its business, using some of its plants for the manufacture of commercial explosives and others for dye stuffs or chemicals. This may be the eventual result but the writer is informed on good authority that an effort will be made to take out all the money that is possible for the common stock and the company will embark upon a brand new career, not manufacturing anything itself, but dealing in the promotion of new companies. This means in brief that Aetna Explosives will cease to be a manufacturing company and common stockholders will devise some sort of a company to engage in financing of new securities. How would a name like the "Aetna Securities Company" do for a proposition of this sort?

AETNA EXPLOSIVES INCOME ACCOUNTS

	1916	1917	1918
Oper. income	**$4,321,392**	**$3,613,773**	**$6,828,155**
Net income	**4,358,097**	**3,613,773**	**3,773,184**
Pfd. Dvs. paid	**288,535**		
Surplus	**$4,069,562**	**$3,613,773**	**$3,773,184**
Prev. surplus	**444,632**		
Total surplus	**$4,514,194**	**$3,613,773**	**$3,773,184**

Whether small stockholders will agree to take up the hazards of securities financing is aside from the question. According to the company's charter the Board of Directors have the right to determine what business the company will engage in and they, therefore, can engage in any business they choose.

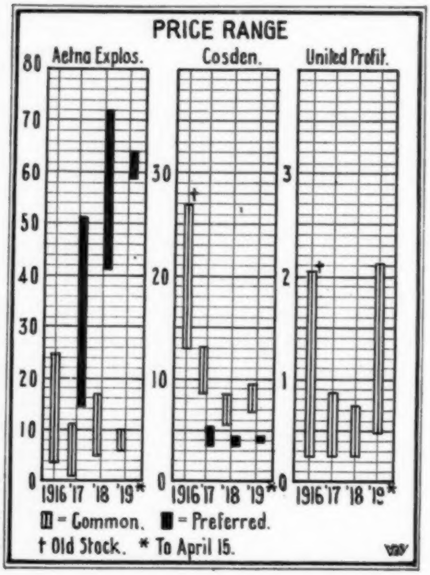
Of interest to the security holders right now is the fact that their stock is worth more than its selling price of $9

a share and it ought not to be long before quotations establish themselves around expected levels.

Cosden's Tardy Move

From the start of the upward move in February oil stocks took and held the leadership. There was little doubt in the minds of the public that big days were immediately ahead for oil and that any peace boom would be started by the oil companies' prosperity.

Despite the enthusiasm that was expressed in rapid marking up of the shares of most oil companies, the Cosden issues remained practically stationary. At first it was thought that Cosden wasn't going to get its share, but when the move at last came, it was discovered that plans were being carefully made for Cosden's expansion and that the news of its new acquisitions were kept well under cover.



To Cosden & Co. must go the credit for popularizing independent oils. Prior to the boom markets in 1915, few people paid much attention to the independent companies' condition or prospects and very generally spelled oil as S-t-a-n-d-a-r-d O-i-l. However, Cosden & Co. proved to the public that the independent companies could be big money makers also and thus its popularity.

Incorporated in 1913, the company was formed as a consolidation of The Colonial Refining Co., The Western Refining Co., The Cosden Pipe Co., the Union Petroleum Co. and J. S. Cosden & Co. In 1916 the Cosden Oil & Gas Company, the producer, was merged into Cosden & Co. under a large recapitalization scheme.

The present company's total holdings of leases in the United States are over 500,000 acres. Its lands are distributed in Oklahoma, Kansas, the mid-continent field and Texas. Most of the speculative attention is being directed toward the so-called Ranger field in North Texas and Cosden & Co. has approximately 200,000 acres on lease within the boundaries of this field.

Its Earning Position

Cosden & Co. is just getting into a position to reap the benefits of its extensive improvements and enlargements made during the latter part of 1917. Because of these up-building plans, earnings have not been as large as they might have been in 1918 and even 1917.

In 1916 the company showed gross earnings of $17,535,366 and a net income of $7,673,184. In 1917, because of many unfavorable factors, the company's gross earnings were only $9,133,086 and a net of $2,497,888 was shown. (These figures are for the combined companies.)

The first dividend on the common stock of the merged company was declared in September, 1917, with a payment of 2% regular and 4% extra. It was not until the latter part of 1918 that the directors thought it advisable to put the company on a cash dividend paying basis, so in October, 1918, a dividend of 2½% or 12½c. a share was declared. This has been established as the regular rate.

As far as can be seen there is no reason to believe that Cosden & Co.'s earnings will be less in 1919 than in 1918. As a matter of fact all conditions point to the contrary as the company is going ahead aggressively with its Texas acreage and satisfactory results have been reported already.

While it may be too early to judge 1919 earnings, they are now running at a greater rate than in 1918 and the company feels sure that it can show as high as between $10,000,000 and $12,000,000. This would be about $3 on the stock after payment of the preferred dividend.

Position of Cosden Securities

There are outstanding a total of $9,079,500 6% convertible bonds, Series A & B. Series A bonds are convertible into common stock at $13 a share and the B bond is convertible at $11.70 a share until July 1, 1919, and thereafter at $13 a share. Annual interest charges on the outstanding bonds call for less than $600,000 and with earnings of $10,000,000 a year, these bonds are certainly in a strong position. The convertible issues are well secured, as the first mortgage 6% convertible bonds of Cosden & Co. and the three-year 6% convertible gold notes of Cosden Oil & Gas Co. to an aggregate amount equal in par value to the amount of Series A and B issues outstanding, are behind them. In addition to being well secured, these issues have good speculative possibilities at the present price, for if Cosden's earnings expand the stock should sell higher and at present there is a split of about 10 points between the selling price and what the bonds would be worth converted into the stock at the respective conversion prices.

COSDEN & CO. CONSOLIDATED BALANCE SHEET—JUNE 30, 1918

Assets:	
Oil lands, leases, refineries, etc. (less $4,041,223 for dep.)	$40,748,425
Investments in sub. cos	2,805,165
Sinking fund	66,734
Items in suspense	256,555
Current assets:	
Materials and supplies	2,800,330
Prepaid insurance, royalties, etc	428,100
Bond discount and expense	321,905
Crude and refined oils	1,894,127
Notes and accounts recv	2,256,229
Liberty bonds	-415,070
Cash	288,002
Total current assets	$8,403,763
Total assets	$52,280,642
Liabilities:	
Pfd. stock	$3,481,110
Common stock	17,572,095
Sub. cos. stock	75,223
Bonded debt	10,706,500
Purchase money obligations	1,463,559
Due other cos	156
Surplus	13,667,679
Current liabilities:	
Notes payable	2,565,082
Accounts payable	8,223,221
Interest and taxes	495,710
Preferred dividends accrued	20,306
Total current liabilities	$5,304,319
Total liabilities	$52,280,642
Working capital	$3,099,444

There should be little doubt concerning Cosden's ability to pay the 7% requirement on the $3,481,101 preferred stock and its position seems sound. There is, moreover, a favorable feature about the preferred, as it contains the conversion privilege which allows the holder to convert his shares into common stock at $13.50 per share on or before July 1, 1919, and thereafter at $15 per share.

UNITED PROFIT SHARING COMPARISONS

	1916	1917	1918
Net income	$253,704	$241,106	$211,525
Dividends	———	81,907	81,907
Surplus for year	$253,704	$159,199	$129,617
Prev. surplus	220,568	33,136	125,928
Profit and Loss surplus	$33,136	$192,334	$255,545

The common stock is of course to be rated as a speculative issue. It is "Street" talk that stockholders failed to respond properly to the privilege to subscribe for new stock at $10 a share in 1917 and that the underwriting syndicate which paid about $8 a share for 640,000 shares were "hung up." Be that as it may, Cosden & Co. common at around $9 a share is not too high on its present earnings record and the prospects for the present year. One failing the company has is its desire to expand too rapidly for its means and over-expansion may be just as disastrous in the long run as lack of initiative. In fact the 1918 balance sheet showed that the company was rather over-extending itself and its cash and working capital position was none too strong.

However, if earnings run over $10,000,000 this year and if pending devel-

opments materialize in the Ranger field and in refinery operations, the stock should establish itself at higher levels. It should be purchased only as a business man's investment for long-pull profits.

United Profit Sharing

One of the stocks most actively traded in and one which has had a remarkable advance within the last month or so is United Profit Sharing. For a long time previous to the recent move in the stock which established it well over $1.50, it hovered around 25 cents per share.

This company was incorporated in the Spring of 1914 for the purpose of issuing and redeeming coupons, certificates and other advertising devices and establishing the system whereby these are placed in the hands of manufacturers and merchants. Originally the par value of the stock was $1 per share but in 1916 capital stock was reduced from $2,000,000 to $500,000 by changing the par value to 25 cents per share.

In 1916 the company showed sales of $1,275,361 and a net income after all expenses of $253,704. No dividends were paid that year and there was carried to surplus $253,704. In 1917 earnings ran about the same and a net income of $241,106 was shown. An initial payment of 5% in dividends was made in June, 1917. An extra dividend of 10% was paid in September, 1917, and the shares now carry 2½% per annum.

In 1918 net earnings were $211,525, out of which the same amount of dividends, or $81,908, was paid as in 1917, leaving a surplus for the year of $129,617. For a time Profit Sharing stockholders were depressed over the outlook as several States had passed enactments discriminating against the use of coupons with sales of merchandise. Recent reports say that these laws will be repealed and this is one of the chief reasons for the sudden enthusiasm for the stock.

Profit Sharing's Status

With earnings equivalent to about 13 cents a share in 1918 and a little more than that in 1917 and 1916, the company earned in cash over 50% on its capital stock (par value 25 cents). The total profit and loss surplus at the end of 1918 was $255,545 (which is subject to revision on account of Federal excess profits and war taxes) and is also equivalent to a little over 50% or 12½ cents on the outstanding capitalization.

The misleading feature of United Profit Sharing is probably its par value and it is often pointed out that at its present selling price of about $1.50 a share, the stock is selling at 600%. It is doubtless unnecessary to say that the par value of a security has nothing to do with its worth or the price that it should sell. Kelly Springfield, for example, a stock of $25 par value, is selling at about $125 a share or 500% of par. The selling price of this stock, too, is established on earnings of about 50% of the par value of the stock.

Nevertheless, a selling price of $1.50 for Profit Sharing is a liberal valuation of the company's prospects at the present time. The stock certainly is not worth that price on its earnings in the last three years, nor would it be worth it if all the company expected to do was to earn the same amount annually. However, with the coming of peace, large expansion is expected in the tobacco and allied industries. This should increase United Profit Sharing's business very substantially and it is this rather than current operations that establishes the present selling price for the stock.

At is present price of about $1.50 a share the stock is in a speculative position and while the prospects for the future are bright, it would be more conservative to await reaction before making a speculative purchase of this stock for a long pull.

Market Movements

By FREDERIC DREW BOND

Influence of the Floating Supply on Minor Movements of Stock Prices

EVEN though the general trend of stock prices may sometimes be in one direction for two years or more, their progress is never continuous, but is marked by a series of up-and-down swings. Three sorts of swings may be distinguished: (1) the primary or long swings, such, for example, as those from the re-opening of the exchange in 1914 to October, 1916, and from the last namedd at eto December, 1917. Since then we appear to have been in another primary swing.

These primary swings depend on radical changes in underlying political, commercial and financial factors. The first of the primary swings just mentioned represents our pre-war period; the second, the depression and upset caused by our entry into war; the third, the relief shown at the successful conclusion of the war. (2) Secondary swings in the market represent the in-between movements due usually to accumulation and distribution of stocks for speculative purposes; and (3) still smaller, which might be called tertiary, swings represent daily to-and-fro variations.

All of these swings represent also an attempt, whether successful or not, to discount the future to some extent. It will be noticed, for example, that the primary swing in 1918 halted for a short period in the Spring when it seemed that the Germans might take Paris. Here the hesitating attempt to discount misfortune proved incorrect and afterwards the primary swing proceeded. This general fact of the "priority of the stock market," as it is sometimes called, has often been discussed and need not detain us.

Since all three swings depend in their early stages on those commitments which have correctly anticipated the course of prices—whether the anticipation of the business or political changes was right or not—we may say that *all three swings must be due to the successful traders, speaking of them as a class.*

But it also appears that the character of these swings, or what may be called the trend of the market, primarily depends on only a limited number of these operators.

It is on the apparent drift of current quotations that the commitments of customers in commission houses are usually made. There is one thing which all traders see, and it is often the only thing which they are willing to see, namely, whether prices are at the moment moving up or down. This is the definite, unequivocal fact on which most commission house customers base their operations. Any one who doubts this has only to ask any truthful customers' room manager and he can abundantly verify the statement.

But, as a rule, this entry on the basis of present quotations is not made immediately. It is rare that commission house customers buy to any large extent until stocks have risen somewhat and have attained some activity. Usually when they do buy a certain stock it will be found that that stock has attained a-half to three-quarters of its whole rise or is actually around the top. For the rises which chiefly influence speculation are almost always the secondary swings, whether they are long or short.

A typical example of a quick series of such swings quite close together in the general market, was in the period from August, 1916, to December of that year. And the longer the market in any stock keeps going up, the more followers it attracts to the scene—all becoming more and more actuated by stories of the very high prices soon to be attained.

It is thus evident that, in the second-

ary movements, the mass of commission house customers can very rarely, indeed, be held responsible for initiating the trend of the market. Those who come in early enough may reinforce this trend, but the very fact that they follow it shows that they do not make it. It is not meant that the public, once in a great while, may not take the bit in its teeth and run away with the market. They have done this but very seldom. The best instance within the memory of the present writer was in April, 1901, five weeks before the famous Northern Pacific corner.

If we turn to the room traders of the exchange, we meet a body of men probably, as a whole, the most acute observers in the world. No set of men are quicker at discerning the immediate trend of the market at the start and following it successfully. But, generally speaking, this very statement is in itself an implication that they do not themselves make the trend.

Who Makes the Minor Swings?

It has been repeatedly noted that after the great panics the number of registered holders of stocks increases. These are the bargain hunters of the country, who rush in at those times, buy stocks and take them off the market. These men are usually strong holders, for no matter whether they buy one share or one thousand, they have the means to pay in full and to hold stocks as long as they choose.

With the activities of these men go the more directed and concerted activities of the great industrial and financial magnates, almost always the real owners, for control or for income, of the great companies whose shares are dealt in on the exchange or "over the counter" in Wall Street. These men do not as a rule part with their own investment stock on the top of a rise but they sell the additional stock which they purchased at low figures and then they often go short and use their own investment stock as a sort of guaranty against being caught in a possible squeeze.

In a general way, it may be said that it is the commitments of these immensely wealthy interests which make the main trends of the market, and cause it to discount the future, while their knowledge is, of course, the combined inside knowledge of the conditions of their own properties in conjunction with their usually pretty large knowledge of general financial and industrial conditions. The industries of the country have their periods of prosperity and depression at much the same times and on this account a recuperation in general business usually comes to all conjointly. This change is seen beforehand by the "wise," whether they be the large industrial buyers or the smaller bargain hunters, or an occasional small speculator.

We here see one of the main reasons why the public generally loses in speculation, because when the buying should be done the market looks still unpromising and the public, which always buys on appearances, believes it to be weak when it really is in the strongest possible position.

The main concern of the active trader, however, is not so much with the great primary movements, which involve holding stock for a long period, as with the secondary movements. It is essential, therefore, to show that *these secondary movements depend on the relation between the fixed and floating supply of stocks in a specially important way.*

A secondary move in one direction is usually followed by smaller to-and-fro secondary moves which may indicate accumulation or distribution, or merely a resting spell. The chief secondary swings or the chief series of such swings are usually based, as before indicated, on some definite changes of affairs within particular companies or within many companies. For instance, a change in a company's management from sloth to efficiency will probably be followed, as soon as the new arrangement is decided on, by a movement in the shares. Or higher earnings in a company may be a basis for higher prices. First, the stock moves and then, when the movement is well under way, the public learns

some or all of the facts, and proceeds to jump to the conclusion that the movement will be long lived.

Thus these secondary movements although indirectly the result of changed investment conditions, depend directly on initiatory buying by those who have an exceptionally early opportunity to learn of such changes. The process of accumulation and distribution has been many times described and will not be here dwelt upon. It should be noted, however, that these various swings in different stocks synchronize to some extent. That is, looked at in a general way, the market moves as a whole. But this does not imply any exact synchronism. Usually, if there is a widespread movement, the best and the best-known stocks rise first, then those of moderate repute, and last the "cats and dogs."

We should also note that sometimes a large secondary swing may coincide with almost the whole of the net rise or fall in a stock during the long primary swing. This may even be true, though to a lesser extent, of the whole market. At least we may say that a primary move may consist of an almost continuous series of upward secondary moves with short reactions or distributing places. This was the the case with many stocks in the bull market of 1915. Between what is called a bull year and an ordinary year, the difference lies mostly in that, during the bull year the upward secondary movements are repeated very closely, interrupted by few large reactions and only short minor reactions or resting places.

This synopsis may be confirmed from experience or from a study of stock prices, provided individual stock swings are examined. If an average of the whole market is examined the process may be seen but is not so obvious, because the varied ups and downs smooth one another out and make the movements appear less abrupt. It is therefore a vitally important point to remember that a graph of the whole market may give a very incorrect idea of the situation of some specific stock at any particular time.

The differences in these three kinds of swings, the primary, secondary and tertiary, are respectively based on the definite, clear-cut intentions of three different kinds of traders: (1) the great conservative capitalists in their long time commitments based on phases of business prosperity or the reverse; (2) speculative investors who have early knowledge of coming news developments; and (3) shrewd judges of technical market conditions. But the movements due to each may to a certain extent overlap and interfere and very many sorts of market movements may result. Also, a secondary swing may be distorted by the contrary intentions of those influencing the market, when neither side has definite supremacy but when the weight of the transactions may shift violently from the bull to the bear side or vice versa.

The object of the "scalper" or "trader" as he is often called with special reference to the small movements, is to profit by a great number of quick turns. In this, the public is very rarely successful, for it is hard to catch the exact beginning or end of a swing unless on the floor of the exchange, and commissions, taxes and the "invisible eighths" create a handicap of about one-half point to start with, not including interest charges. Therefore the secondary swings are of the greater interest to those not members of the exchanges.

In the study of all these kinds of movements, records of "past performances" should be consulted. But they should be used for little more than to get the lay of the market before starting in. The writer has never known a consistently successful "chart fiend."

Those who keep price graphs for reference should note volumes of sales *in connection with the capitalization of the company involved.* For reference purposes such records are almost indispensable, but their value as a prophecy-machine is very limited indeed.

Students of prices are familiar with the fact that when a stock breaks over its previous high or low points, it often proceeds farther on its way. The rea-

son is, that marginal holders who sold short or who went long at the same price on the previous movement of opposite character are apt to be under pressure and by their enforced action they accelerate the movement.

In connection with this matter, it is well to note the volumes of sales, and if the present movement passes through the critical point without any important increase in volume, its significance is probably not large.

Influence of Floating Supply

I have said that the secondary swings depend on the relation between the fixed and floating supply of stocks in a specially important way. The reason is that this influence is far more direct and immediate than in the case of the primary swings; while the opportunity of profiting from the tertiary or day-to-day swings can hardly be said to be open to the public.

For example, one of the important factors in a primary upward swing is that before it began or in its early stages large investors or small investors of the conservative type had absorbed a great part of the floating supply of stocks—it became fixed for the period of a long upward movement. But this change in the character of the supply is very slow and gradual; and the proportion of the total supply of any stock thus tied up for the whole of a primary swing is undoubtedly very much smaller than the proportion that may be temporarily tied up during the shorter duration of a secondary swing. Therefore the relation between the fixed and floating supply has a much greater *proportional* influence, as compared with other factors, on the secondary swing than on a primary swing.

The conclusion is obvious. Those who are seeking to profit from the secondary swings should devote very careful attention to the amount of stock "in the market," as compared with the amount temporarily "fixed" for the duration of the secondary swing, and also compared with the total floating supply as defined in my first article. There are various ways of doing this, and it is doubtful whether any definite rules could be laid down.

But the point to be observed is perfectly clear: it is *the extent to which the stocks that are bought on minor declines are sold again on the minor rallies.*

A secondary upward swing results from the tying up into a temporarily fixed form, of a greater quantity of stocks on the minor declines, than is released into the market on the minor advances. So long as that condition continues, the direction of the secondary swing will be upward. When that condition is reversed, the secondary swing will turn downward.

With the principle, and to a certain extent its application also, thus arrived at, I will show in the next article some of the ways in which it works out in bull and bear markets.

(*To be continued*)

MARKET STATISTICS

		Dow, Jones Avgs.		50 Stocks		Total	No.
	40 Bonds	20 Inds.	20 Rails	High	Low	Sales	Issues
Monday, April 7....	75.85	90.18	47.48	77.84	76.99	1,041,000	244
Tuesday, April 8....	76.92	90.59	84.50	78.14	77.20	1,326,200	259
Wednesday, April 9.	76.91	91.01	84.55	78.43	77.40	1,255,000	253
Thursday, April 10..	76.85	90.11	84.25	78.37	77.29	1,413,500	242
Friday, April 11....	76.82	90.11	83.76	77.71	76.88	1,310,500	239
Saturday, April 12..	76.81	89.61	83.66	77.41	76.92	533,400	208
Monday, April 14...	76.82	90.48	83.88	77.96	77.08	1,116,900	255
Tuesday, April 15...	76.86	91.47	83.79	78.26	77.54	1,222,100	249
Wednesday, April 16.	76.94	91.07	83.62	78.40	77.50	1,318,500	242
Thursday, April 17..	76.98	90.88	83.36	77.91	77.19	1,022,300	244
Friday, April 18....			Holiday				
Saturday, April 19..	76.83	91.67	83.50	78.03	77.51	700,200	222

PROMINENT WALL STREET MEN THAT I HAVE KNOWN

By J. ARTHUR JOSEPH

I HAD a very interesting tête-à-tête with Mr. "Nat" Hofheimer, who was the pioneer in the General Motors Company and so successfully launched Chevrolet and others. I asked him what made him so very "blue" regarding the future of the railroads of this country and he laconically answered:

"The situation is so very plain that he who runs may read. The Government of the United States, that is to say, the various States, are building roads for passenger and vehicular traffic. The motor truck companies which began some time back to compete with the railroads are now in a supreme class.

"Motor trucks, moved by gasolene, do not have to depend upon coal or electricity. They can run at the lowest possible cost. They do not have to carry double crews, nor is there an extra hand employed. They have nothing to fear from State legislation nor are they subservient in any shape or manner to the whims of legislators. Their business is one of supreme usefulness. They can carry goods at a very low cost. Whether the haul be short or long, the expense is reduced almost to a minimum.

"Successful competition has caused a complete revolution in the methods of transportation and as the years progress the motor truck business will be brought nearer to the ultimate state of perfection that it must inevitably reach in the future.

"Viewed then calmly and dispassionately, one must come to the definite conclusion that the future of the railroads, considering their capitalization and other hardships that immediately suggest themselves, is far from being bright, so it is little wonder that those who view the situation from the angle of common sense must conclude that something vastly drastic to improve the railway situation must materialize before the future of the railroads can be considered bright."

* * *

Here is something for you to ponder upon. Four years ago a bank—the Public National Bank of New York—was formed to protect the Russian Jews and alien Hebrew contingent against the nefarious "banking"(?) systems that were profitable to some "bankers"(?) who were in business for their exclusive benefit only. When the Public National Bank started, it had deposits of under $6,000,000. Today it has deposits of approximately $40,000,000. Its capital, surplus and undivided profits amount to $2,500,000. The Board of Directors include Joseph J. Bach, Vice-President, Public National Bank of New York; John C. Eisele, Eisele & King, Newark, N. J., and New York; H. P. Goldschmidt, H. P. Goldschmidt & Company; Walter E. Meyer, New York City; Henry L. Moses, Attorney; Alfred S. Rossin, S. Rossin & Sons; Edward S. Rothschild, President, Public National Bank of New York; Jacob Sperber, and William B. Walker, President, American Thermos Bottle Company.

Now, make a mental note of this fact: The bank has branches on Broadway and 25th Street, Delancey and Ludlow Streets, and Madison Avenue and Corner of 116th Street—the Ghetto of New York. In Brooklyn the branches are at Pitkin Avenue, corner of Watkins Street, and Graham Avenue, corner of Siegel Street, where the Jewish contingents congregate most.

Bolshevism, which stands for retrogression and destruction, cannot possibly thrive where the dollar is respected and it requires no stretch of imagination to say that the Russian and other Hebrews who save their dollars and who invest some of their surplus in Liberty and Victory Bonds have no intention of running amuck or

committing hari-kari upon their own bank accounts. The death-knell of Bolshevism is sounding. The disease, as far as this country is concerned, will be uprooted and effectually killed.

* * *

I was riding up on the Sixth Avenue Elevated with Jay Gould some thirty years ago when the boom which followed the West Shore deal was in full bloom. I asked Mr. Gould what he thought of the market. He closed his eyes and placed his right hand upon his black beard, which he always did when reflecting, and he answered:

"I sold another 50,000 shares of stock this week and in the past month I must have sold in the aggregate 150,000 shares."

I did not see Mr. Gould again for a fortnight. He was then on his way to East 26th Street to board his yacht, the "Atalanta." In the mean time the market had soared. It was at least ten points higher and I said:

"Well, Mr. Gould, you sold those stocks rather cheaply compared to the prices today."

He answered: "Joseph, have you stopped to think what the result would be if I attempted in a thin market like the present, to sell 150,000 shares of various issues? The time to feed an appetite and to appease it is when the public is hungry. If I were to throw over 100,000 shares of stocks today, I should bring about a panic. The public has been loaded up. Its capacity has been reached. It cannot assimilate any more, and now watch the period of digestion."

A few days later the market halted. It subsequently became wobbly and when it commenced to go down it did the tobbogan act. The decline was not stopped until prices had mented from 20 to 30 points. The Baring panic then came along, which put another crimp into bull speculation. It was ten years before the average of prices was reached that prevailed when Mr. Gould so philosophically and accurately diagnosed the situation.

It is, of course, possible that lightning will not strike twice in the same place. I say "possible."

* * *

Harry Brookman was admitted to membership in the Stock Exchange in the early nineties. His daily appearance was in a top hat, well fitting cutaway coat and striped trousers, a cane and a very large buttonhole bouquet which was fresh every day. He was known among the floor members as "The Brooklyn Dude." Prior to his entry on the floor of the Exchange he had been Treasurer of the Standard Gas Co. in New York and always claimed that he knew something about gas.

One day he met his uncle, John U. Brookman, who asked him what he was doing. Harry replied that he was going broke buying Consolidated Gas. John U. Brookman was a heavy holder of gas stocks, at prices far in advance of the current quotations. He immediately went into a broker's office in Wall Street and remarked that he had met his nephew who was full of gas and thought it well to sell all the gas stock he held. He did sell. In time Harry Brookman's gas stock climbed daily and Harry pocketed a very handsome profit while his uncle, when reminded of gas would say it was always a balloon and liable to burst.

On another occasion Harry Brookman rushed into his father's office greatly excited and told him he had received excellent information from Philadelphia that there was a wonderful chance to make a lot of money in Lehigh Valley. His father was somewhat skeptical of Harry's information, but Harry was so positive that he induced his father to buy some. He gave an order to buy a large block Harry rushed out of the office to execute the order. His father in the mean time got in connection with another firm with better information and gave an order to sell all that he had bought. The result was a loss of $15,000 in fifteen minutes. Harry's stock of information for some time after was at a very low ebb, as far as his father was concerned.

IMPORTANT DIVIDEND ANNOUNCEMENTS

To Obtain a Dividend Directly from a Company the Stock Must Be Transferred Into the Owner's Name Before the Date of the Closing of the Company's Books

Ann. Rate	Name	Amount Declared		Paid to Holders as of	Payable
	A				
$3	Amer Gas & Elec, p..	75c	Q	Apr. 18	May 1
6%	Amer Lt & Tr, p.....	1½%	Q	Apr. 12	May 1
10%	Amer Lt & Tr, c.....	2½%	Q	Apr. 12	May 1
....	Am Lt & Tr, c ext..e	2½%	Q	Apr. 12	May 1
7%	Amer Linseed, p......	1¾%	Q	June 16	July 1
7%	Amer Shipbldg, p.....	1¾%	Q	Apr. 15	May 1
7%	Amer Shipbldg, c.....	1¾%	Q	Apr. 15	May 1
....	Am Shipbldg, c...ext	2¾%		Apr. 15	May 1
$4	Anaconda Copper...m	$1.00	Q	Apr. 19	May 26
6%	Atlas Powder, p.....	1½%	Q	Apr. 19	May 1
	B				
7%	Brown Shoe, p........	1¾%	Q	Apr. 19	May 1
....	Burns Bros,Inc. c.ext.x	2½%		Feb. 15	May 1
...	Burns Bros,inc, c.ext.x	2½%		Feb. 15	May 1
	C				
5%	Central Leather, c....	1¼%	Q	Apr. 10	May 1
....	Cities Service, c. bkrs. sh. gg	41.1c	M	Apr. 15	May 1
8%	Commonwealth Edison	2 %	Q	Apr. 15	May 1
10%	Cosden & Co, c......	2½%	Q	Apr. 15	May 1
	D				
7%	Dominion Coal, p....	1¾%	Q	Apr. 12	May 1
6%	Dominion Steel, p....	1½%	Q	Apr. 15	May 1
5%	duP deN Powder, p..	1¼%	Q	Apr. 19	May 1
6%	duP deN Powder, 1..	1½%	Q	Apr. 19	May 1
	E				
....	Eastman Kodak, c..ext	5 %		Mar. 31	May 1
12%	Edison El Illu of Bos	3 %	Q	Apr. 15	May 1
4%	Eisenlohr(O)& Bros, c	1 %	Q	May 1	May 15
$16	Eureka Pipe Line....	$4	Q	Apr. 15	May 1
	F				
6%	Federal Sugar Rer, p..	1½%	Q	Apr. 21	May 1
7%	Federal Sugar Ref, c..	1¾%	Q	Apr. 21	May 1
7%	Fisher Body, p.......	1¾%	Q	Apr. 22	May 1
	G				
6%	Gen'l Motors, p......	1½%	Q	Apr. 15	May 1
12%	Gen'l Motors, c......	3 %	Q	Apr. 15	May 1
6%	Gen'l Motors, deb stk	1½%	Q	Apr. 15	May 1
8%	Gdyr Tire & Rub, 2d p	2 %	Q	Apr. 15	May 1
7%	Great Northern Ry...	1¾%	Q	Apr. 4	May 1
4%	Goodrich (B F), c...	1 %	Q	May 5	May 15
5%	Gran Con M, S&P,Ltd	1¼%	Q	Apr. 18	May 1
	H				
7%	Holly Sugar Corp, p..	1¾%	Q	Apr. 15	May 1
	I				
$8	Indiana Pipe Line...	$2	Q	Apr. 24	May 15
10%	Ingersoll Rand, c....	5 %	S	Apr. 19	Apr. 30
$6	Inspiration Con Copper	$1.50	Q	Apr. 11	Apr. 28
6%	Internat'l Nickel, p...	1½%	Q	Apr. 16	May 1
	K				
7%	Kayser (Jul), 1st p...	1¾%	Q	Apr. 21	May 1
7%	Kayser (Jul), 2nd p...	1¾%	Q	Apr. 21	May 1
$4	Kelly-Springf Tire, c.	$1	Q	Apr. 15	May 1
....	Kelly-Springf T,c..ext..x	75c		Apr. 15	May 1
$1	Kerr Lake Mining....	25c	Q	June 2	June 16
$3	Keystone Telephone, p	$1.50	S	Apr. 19	May 1
4%	Kress (S H), c......	1 %	Q	Apr. 19	May 1
	M				
....	Marconi Wireless....	25c		June 1	July 1
7%	Mass Gas, c........	1¾%	Q	Apr. 15	May 1
6%	McElwain(W H),1st p	1½%	Q	Apr. 15	May 1
6%	McElwain(W H),2nd p	1½%	Q	Apr. 15	May 1
6%	McElwain (W H), c..	1½%	Q	Apr. 15	May 1
$2	Miami Copper........	50c	Q	May 1	May 15
$4	Midvale Steel & Ord..	$1	Q	Apr. 15	May 1
$4	Midwest Refining....	$1	Q	Apr. 15	May 1
....	Midwest Refining..ext	50c		Apr. 15	May 1
$4	Mohawk Mining.....	$1.00	Q	Apr. 12	May 1
	N				
7%	Nash Motors, p......	1¾%	Q	Apr. 18	May 1
7%	Nat'l Enam & Stamp, p	1¾%	Q	June 10	June 30
6%	Nat'l Enam & Stamp, c	1½%	Q	May 10	May 31
5%	N Y Central.......ss	1¼%	Q	Apr. 8	May 1
4%	Norfolk & Western, p	1 %	Q	Apr. 30	May 19
7%	Northern Pacific.....	1¾%	Q	Apr. 12	May 1
	P				
6%	Penmans, Ltd, p.....	1½%	Q	Apr. 21	May 1
5%	P Marquette, prior p..ss	1¼%	Q	Apr. 18	May 1
$3	Phila Co, new p....	$1.50	S	Apr. 1	May 1
$5	Pierce-Arrow Motor, c	$1.25	Q	Apr. 15	May 1
6%	Pitts & West Va, p..	1½%	Q	May 15	May 31
$12	Prairie Oil & Gas....	$3	Q	Mar. 31	Apr. 30
...	Prairie Oil & Gas, ext.	$2		Mar. 31	Apr. 30
12%	Prairie Pipe Line....	3 %	Q	Mar. 30	Apr. 30
....	Prairie Pipe Line, etx.	5 %		Mar. 30	Apr. 30
6%	Pub Serv of No Ill, p	1½%	Q	Apr. 15	May 1
7%	Pub Serv of No Ill, c	1¾%	Q	Apr. 15	May 1
8%	Pullman Co.........	2 %	Q	Apr. 16	May 8
	Q				
6%	Quaker Oats, p......	1½%	Q	May 1	May 29
	R				
$4	Reading, c..........	$1	Q	Apr. 16	May 8
6%	Republic Ir & Steel, c	1½%	Q	Apr. 21	May 1
	S				
7%	Steel Co of Can, p...	1¾%	Q	Apr. 10	May 1
6%	Steel Co of Can, c....	1½%	Q	Apr. 10	May 1
$8	Superior Steel, 1st p..	$2	Q	May 1	May 15
$8	Superior Steel, 2nd p..	$2	Q	May 1	May 15
6%	Superior Steel, c.....	1½%	Q	Apr. 15	May 1
....	Swan & Finch.......	2½%		Apr. 15	May 1
	T				
6%	Tobacco Products, c..d	1½%	Q	Apr. 30	May 15
	U				
9%	U'd Cig Strs of Am, c	2¼%	Q	Apr. 28	May 15
7%	United Drug, 1st p...	1¾%	Q	Apr. 15	May 1
6%	United Drug, 2nd p...	1½%	Q	May 15	June 2
	V				
4%	Va Caro Chem, c....	1 %		Apr. 15	May 1
	W				
$7	Westingh Air Brake..	$1.75	Q	Apr. 8	Apr. 30
$3.50	Westingh El & Mfg, c	87½c	Q	Apr. 4	Apr. 30
$1	Willys-Overland, c....	25c	Q	Apr. 15	May 1
8%	Woolworth (F W), c..	2 %	Q	May 1	June 1

ext—Extra dividend.
d—Payable in scrip.
e—Payable in common stock.
gg—Includes regular monthly ½% cash dividends and cash proceeds from sale of stock dividends due on Bankers Shares.
m—On account accumulated dividend.
ss—Subject to approval of Director-General of Railroads.
x—Payable in Liberty Loan Bonds.

Financial News and Comment

Note.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Investment commitments should not be made without further corroboration.—Editor.

RAILROADS

Atchison's Loaded Cars Decrease

For the week ended April 12, 1919, loaded cars handled amounted to 20,395 as against 23,897 cars for the same period in 1918.

The weekly crop report of Atchison states that perfect condition for wheat is prevailing.

All specifications except those affecting a few class rates cited in a complaint of the Colorado P. U. Commission against the company and other railroads were overruled in a decision of the I. C. Commission.

The complaint attacked all class and many commodity rates between Colorado and points West, South and East and attracted interest because of intervention by the New Mexico commission and the Utah traffic bureau.

Canadian Pacific Stock Seizure Case Heard

Argument was heard on the application of the Minister of Finance before the courts to commandeer $23,000,000 worth (market value) of the company's shares belonging to alien enemies. The company opposed the action saying the shares were on the New York register of the company and beyond the jurisdiction of the Canadian courts.

St. Paul President Makes Statement

Pres. Calkins has sent to stockholders a letter which concludes as follows: "While your board is hopeful of better conditions and more favorable results for 1919, complications and uncertainties of the railroad situation render it impossible to make a forecast. Meanwhile property of the company is being well maintained, and with normal conditions more favorable results are expected."

The letter makes no reference to question of dividends.

Chicago & North Western Must Obey R. R. Commission

Supreme Court has sustained the validity of an order of the Minnesota Railroad and Warehouse Commission requiring the company to change the location of a switch or spur to meet the order of a shipper.

Rock Island's Surplus $1,915,071

For the year ended Dec. 31, 1918, the report shows surplus after taxes, charges and preferred dividends, of $1,915,071, equivalent to $2.55 a share on the common stock compared with $5.33 a share in 1917.

Delaware & Hudson Files Application to Issue Bonds

Public Service Commission has heard the application to issue $4,460,000 in 4% first

mortgage and refunding bonds, to retire notes and reimburse the treasury for additions and betterments.

D. L. & W. Loses Mail Price Case

Its appeal from the decision of Court of Claims involving right of Post Office Department to reduce price for carrying mail where a railroad has a contract to carry them at a stipulated rate has been lost.

A general strike of all shopmen on the system between Hoboken and Buffalo has taken place, and about 4,500 men are out.

L. & N. Will Issue Trust Certificates

Arrangements have been made for the issuance of $7,323,000 series B equipment trust certificates to bear interest not exceeding 6% and to mature in equal semi-annual instalments for 15 years.

This, it is stated, is necessary because of the heavy cost of new equipment alloted by the Director-General of Railroads in 1918, aggregating with equipment ordered before Federal control, but to be paid for after Dec. 31, 1917, $12,398,445.

New Haven Annual Compensation $17,173,366

Pres. Buckland said in his remarks to stockholders:

"The annual compensation for 1919 will be increased to $17,173,366, due to a restatement of the company's income by the I. C. Commission, and this will be further increased by $200,000 interest on the expenditure for improvement work for 1918.

"The expenditures for road improvements amounted to $10,074,053, among which was the Thames river bridge which has just been put in operation.

"For 1919, the Federal Manager and the company have agreed that if the funds can be secured, $7,000,000 should be expended on improvements, the principal items being the Cedar Hill yard and New Haven station, engine houses and shops at Boston, and the completion of the New Haven-New York telephone and telegraph cable line."

Norfolk & Western's Operating Ratio 82%

Although a large volume of business is being done, the net results are eaten up by an 82% operating ratio. Bituminous and other traffic has been somewhat slackened.

At the annual meeting of the stockholders, retiring directors were re-elected and authority was given the directors to acquire the Virginia Carolina Ry. Co. and the New River, Holston & Western Ry. Co., subsidiaries of the company.

The stockholders also voted to increase the common stock by $100,000,000 to $250,000,000, and authorized the directors to issue and sell convertible bonds to an aggregate amount of $108,431,000.

Northen Pacific Rate Raise Questioned

Authority of the Director-General to fix freight and passenger rates is to be determined by the Supreme Court. Appeals were filed by the Government from North Dakota Supreme Court decrees enjoining this company from charging increased rates.

Attorneys believe that a decision can be rendered by the U. S. Supreme Court before the summer adjournment.

The case was the result of increased freight rates of 25% and passenger rates of 3 cents a mile.

Southern Pacific Will Complete Mexican Lines

Preparations are under way for the completion of the line of the Southern Pacific Railway of Mexico from its present terminus near Tepic with the existing lines from Guadalajara west, and thence to Mexico City, thus giving direct rail communication with all the cities of the States of Nayarit, Sinaloa and Sonora, as also with the Pacific Coast of the United States.

Western Pacific Will Appeal Government Compensation

The first to take action will be Western Pacific, who will notify the Director-General of Railroads of its unwillingness to accept the Government's offer of annual compensation. This action will bring the case before a Board of Referees.

The Railroad Control Act provides that any road, dissatisfied with the amount of the Government's offer, may so state, whereupon it is the duty of the Director-General to notify the I. C. Commission, which shall appoint a Board of Referees of three members.

INDUSTRIALS

American Cotton Oil May Increase Dividend

Stock has been strong on reports that directors will place the stock on a 6% basis at their dividend meeting early in May. One of the officials of the company points out that the company has always been conservative about dividends and that while business has been good it has not been extraordinary.

American International Calls for $40 Final Assessment

Directors have voted to call the remaining 40% assessment of $40 a share for payment; $20 will be payable June 2, and the remainder on October 15. These payments will make the $50,000,000 capital stock fully paid.

Am. Loco. Ships 163 Locomotives in March

Railroad Administration received and shipped during the month of March 163 locomotives from the company. In addition the company shipped 26 miscellaneous domestic locomotives and completed 32 foreign ones.

Atlantic, Gulf & West Indies Acquires Mexican Properties

An interest has been acquired in the Compania Petrolera de Tepetate S. A., which owns a large acreage in the "light oil fields" of Mexico, south of Tampico, having a total capactiy of 150,000 barrels of "20 Baume" oil. It was organized in 1916, under the laws of Mexico, and is owned by A. H. Gibson, W. H. Zahnizer and M. L. Vincent, all of New York.

The new Atlantic Gulf Oil Corp., capital $20,000,000, will expend $15,000,000 for new equipment, such as pipe line, tankage, boilers, machinery, pumps, tanks and steamships.

Baldwin Will Receive Payment in Certificates of Indebtedness

According to Director-General of Railroads Hines this and other companies will be given certificates of indebtedness to cover the amounts now due them from the railroad administration. The decision to give certificates was reached because the original plan to issue trade acceptances might not be acceptable to the banks. The certificates issued will be assignable but not negotiable.

Barrett's President Believes Future Bright

In his annual report, Pres. Childs said in part:

"The increase in the costs of materials and labor continued during 1918; and the company suffered a diminution of sales and earnings during the last two months of the year. Notwithstanding, however, the net earnings before taxes were the largest in the history of the company.

"The outlook for the future is promising, in view of the generally unsettled state of the country."

Beth. Steel Closes Cuban Properties

Ore properties in Cuba have been closed and may not be operated for some time due to curtailment of operations in the steel industry.

Curtailment will have to be made in shipyards owned by the corporation, beginning July 1. The corporation expects to convert all plants from munition work into other channels, some new products already being tried out in steel plants and shipyards.

Plans are being developed for export trade. Commercial steel plants are operating at 45% capacity. The shipyards are busiest at present, being now 95% of capactiy. One important munitions order for large guns, requiring 2 years for completion, is only uncompleted munition order in steel plants.

Comment on Booth Fisheries Report

Report for 1918 is disappointing, particularly since the volume of business handled was the largest on record.

The chief customer for salmon, which is Booth's big department, was the Government, which commandeered the entire pack, and fixed prices with no consideration given to the increase in costs over 1917.

The Food Administration reversed the policies upon which the company business were conducted by fixing prices before costs of fish were known. Booth did all in its power to increase production but rewards for its efforts were niggardly.

Government control of the fish industry is now past. There is every reason to expect in the coming year a swing back to normal earning status.

General Motors Announces New Profit-Sharing Plan

A plan has been worked out by the corporation whereby employes can become stockholders on a partial payment basis. The company will establish an employes' saving fund, to which any employe can contribute not to exceed 10% of his salary each year. An investment fund will also be established in which the corporation will duplicate, dollar for dollar, the employes' savings. The two funds will be divided into yearly classes, to be formed each year, maturing 5 years from date of formation. The corporation will invest the fund in common stock of the corporation. At the maturity of each class the employe will be entitled to withdraw cash or securities.

Lackawanna Steel's Unfilled Orders Small

Unfilled orders on books March 31 of 124,570 tons were less than 10% of the production of finished steel in 1916, and were about enough for a month of maximum operations.

This situation exists despite that the report was made just after the buying period following the price schedule announcement, so that unfilled orders at the present time are even smaller, a minimum of buying having been done since April 1.

Lee Rubber's Outlook Good

Volume of business is running over double that of last year and at the highest rate in the company's history.

The net profits are running at the rate of $6.50 a share.

Bank borrowings are down to $500,000, or within $100,000 of the lowest line of credit carried by the present Lee company.

National Lead Soon Ready for Capacity Production

Pres. Cornish in his remarks to shareholders, said in part:

"The commercial demand for some of our products has fallen off. In other cases the demand has increased. The total volume of business was the greatest in the history of the company. There never was a time of so much need for our products as at present. Painting was deferred during the war. The stocks of merchandise in retailers' hands now are the lowest ever known.

"The company has established a promotion reserve for which $1,000,000 was set aside during 1918.

"The increase in plant investment of the company represents new construction in Philadelphia, New York, Cincinnati, San Francisco, Detroit, etc.

"All of the tin used here is imported. During the war a shortage existed, but the company alleviated this by the introduction of Ulco hard metal, manufacteured

at our Keokuk, Iowa, plant. This gave satisfactory results at a great saving in cost. It is one of the promising new products developed by the company.

"The operations of the English company, the largest tin smelting plant in Europe, were satisfactory.

"The plant of the American company commenced operations in October. Its output has been steadily increasing, and as soon as governmental restrictions are removed, will be ready to produce at full capacity."

Keystone to Install Machinery at Perfection Plant

With the conclusion of the contract with the Perfection Tire & Rubber Company for the sale of Perfection tires, Keystone will begin installing machinery at a cost of about $250,000. Under the contract Keystone will sell the entire output of Perfection. Two plants are owned, one at Fort Madison, Iowa, and the other at Wabash, Indiana.

Pres. Dodge of Paper Talks

Pres. Dodge, in his annual report, said in part: "It is to be noted that the year's surplus is not represented by cash, but is reflected in the increased inventory and reduction of indebtedness. Bonds to the amount of $4,723,000 have been retired within the year.

"Increase in bank loans is due to conditions which will disappear when war restrictions come to an end operations approach normal. Business and financial conditions of the company stand out in marked and favorable contrast with the past. The company is financially stronger and its properties are in better condition. The preferred dividend, reduced for eight years, is re-established on a 6% basis, and there is no reason to fear its discontinuance."

Pullman to be Returned to Private Control July 1, 1919

After 1½ years under Government control, the company will be returned to its owners on July 1, 1919. Since this will be the first relinquishment by the Government of a private property whose shares are quoted on the exchange its transfer will be watched with interest. The company has been operated under the standard contract similar to the railroads.

Republic Steel Secures Option on Ohio Company

An option has been secured on a controlling interest in the stock of the DeForest Sheet & Tinplate Co., whose plant is at Niles, Ohio.

This plant contains 10 sheet mills having an annual capacity of 6,000 tons of sheets and also makes 10,000 tons per year of plate for roofing and siding.

The Republic Co. is not a producer of sheets, and in order to give it a more diversified product will likely take over this plant. Consent of the stockholders is now being obtained for the transfer to the Republic company at a certain price for each share of stock, and it is practically certain the stockholders will assent to the sale.

Purpose of U C S Stock Increase

Recent vote of increase in stock from $30,000,000 to $60,000,000 is part of a comprehensive plan of expansion which will mark the entrance of the company into new fields, and will also permit of the distribution of stock dividends from time to time.

Smelters' Chihuahua Plant at 65% Capacity

Operations at the Chihuahua plant are at 65% of capacity. This plant is expected to reap the benefit from the resumption of mining operations on the properties being returned to private control by the Mexican Government.

Steady expansion has been shown at this smelter in recent months on account of the improvement in internal conditions in northern Mexico.

United Fruit Profits Increase

For the first 28 weeks of its fiscal year from Oct. 1 on, operating profits of the company were $14,000,000, compared with $10,000,000 a year ago. The gain in profits has for weeks averaged 40%.

By quickly adapting itself to the withdrawal of its big ships, the company has been able to maintain its freight income. Fruit net, too, has been very steady, making up half of the $14,000,000 income to date.

U. S. Realty Shows Increased Earnings

Recent strength and activity is attributed to the improved condition of the company. Persons close to the management say that the rents of office buildings owned has been raised $250,000 a year. The Fuller Construction Company is declared to be doing the heaviest business in its history, and the amount of new business being offered was never heavier. The annual report is expected to show that the $3,000,000 loss on the subway work has been written off.

Willys-Overland Dividend (correction)

On page 1101 of the April 12 issue of this publication it was incorrectly stated that Willys-Overland common paid $4 in dividend annually. This was a typographical error; the statement should have read 4% annually.

PUBLIC UTILITY NOTES

A. T. & T. Litigation Settled

Officials of the company whoiwere removed from the control of the Central Union Telephone Co. in 1917, have been restored to power by the Appelate Court. This discharges the receivers, and ends litigation pending for six years.

Bay State Railway Shows Deficit—Fare Reduction Asked—Sold at Auction

For the year ended Dec. 31, 1918, report showed a deficit of $1,489,109 as compared with a net income of $344,681 in 1917.

The receiver operated the property during 1918, but his accounts included only the taxes, bond interest, etc., which he was authorized to pay. The accounts of the road itself, however, included all charges accrued although not paid. The net result was a deficit for the year of $979,965, representing the difference between the receiver's surplus of $518,144, and the company's deficit of $1,498,109.

Selectmen of Andover appeared before the P. S. Commission asking that rate of fare between Lawrence and Andover be reduced. Fare now is 12 cents and used to be six cents.

This company, which operates in ninety cities and towns in eastern and southeastern Massachusetts and extends into New Hampshire and Rhode Island, was sold at auction by order of the Federal Court, under the reorganization plan by which the property is eventually to be in the hands of the Eastern Massachusetts Railway Company and be managed by five public trustees provided for by a special act of the Legislature.

The purchaser was Arthur I. Glidden, representing Lee, Higginson & Co., of Boston, reorganization managers for the Bay State Company, and the price was $3,600,000, subject to the taking over of various obligations, including those of the Bay State receivership and mortgages of the Boston & Northern Company and Old Colony Street Railway Company.

B. R. T. Deficit Under Dual Contract $2,729,147

Figures compiled by the P. S. Commission show that the total deficit of the company under the dual contracts providing for rapid transit to March 1, 1919, was $2,729,147, and that the city's deficit was $9,255,934. These deficits have been growing since contracts were made on Aug. 4, 1913, and in the case of the city deficit cannot be reduced until that of the company is entirely wiped out. In both instances, deficits are cumulative.

Columbus Ry. Power & Light Loses Appeal

This concern which operates the street railways and sells tickets at eight for a quarter and lost money because of war con-

ditions, lost its appeal in the Supreme Court, which held that it could not abandon its franchise, although it recognized that it was a hard case.

Reason for Failure City Ownership of Detroit United

Belief on the part of the voters that the amount for the purchase price, $31,500,000, far exceeded the combined physical and intangible valuations of the street car company's holdings, is cited as the main reason for the defeat of the amendment for the purchase of the company's lines by the city.

Hudson & Manhattan Desires to Issue Bonds

Application to permit issuance of $1,054,000 in 5% bonds at 80, is before the P. S. Commission. It is proposed to apply $308,500 for improvements, and $745,500 to retiring underlying mortgages and payments on rolling stock.

The bonds will be offered under the company's first lien and refunding mortgage executed to the Central Trust Co.

Pacific Gas & Electric to Issue $300,000 7% Notes

Bonbright & Co. are offering at 99 and interest, to yield more than 8%, a new issue of $300,000 one-year 7% gold notes of this company of Arizona, due April 15, 1920. The proceeds are to build a transmission line to obtain power from the Arizona Power Co. and for other improvements.

Quarterly dividend of $1.25 per share has been declared on the common stock, payable April 21 to holders of record April 8. The last quarterly dividend paid on the common stock was 1¼% on Oct. 15, 1917.

OIL NOTES

Associated Oil Subsidiary Declares Initial Divedend

Amalgamated Oil, the principal subsidiary of the Associated Oil Company, has declared an initial quarterly dividend of 1¼% for the second quarter of 1919, payable July 15. The company discontinued dividends in 1916.

Bay State Oil & Gas Declares 100% Stock Dividend

Owners of the stock of the company, operating in the Mid-Continent field have received a stock dividend of 100% of their holdings, in addition to the regular 5% quarterly dividend in cash. The company recently increased its capital stock from $1,500,000 to $3,000,000. Earninges are said to exceed $300,000 a year from oil operations in the Cushing Pool, Oklahoma, Kansas and Texas.

Commonwealth Petroleum Drilling New Wells

The concern in which it is understood one of the younger Rockefellers holds principal interest and is represented by two Standard Oil men on the board, now has in different stages of progress, 3 new wells being drilled or about to be drilled. The first of these should be completed in the immediate future. Management estimates that by September one of its subsidiaries, the Western Union property, alone will be earning $17.50 per share on the entire capitalization of Commonwealth, and other earnings should bring total up to $20 per share. Company has wells in Midway, McKittrick, Cassalia, Montecello and Santa Maria district, owned by its United Western subsidiary, also properties in Wyoming, West Virginia and Ranger Field, Texas.

Galena-Signal Will Enlarge Houston Refinery

Capacity of the Houston Ship Canal Refinery will shortly be enlarged from 8,000 barrels daily to 16,000 barrels as construction proceeds. This is a natural development of its business in Texas, which is expected to exceed in value its properties in Pennsylvania.

It is also said the company will enter the field of automobile lubricating oils on a large scale.

Gulf Refining Receives Government Contract

Further purchases of oil for the operation of merchant vessels during 1919, have been completed by the Shipping Board. The contract was awarded to this company in Pittsburgh.

The prices agreed upon for all Shipping Board vessels loading at Port Arthur was 84c per barrel for No. 1 grade; 74c per berrel for No. 1 C grade; 84c per barrel for No. 2 B grade and 74c for No. 2 C grade. The board allowed an additional 10c per barrel for lighterage, subject to the minimum charge of $500.

Higgins Oil Declares Dividend

Dividend of 6% has been declared, payable in four quarterly installments of 1½%. This company is controlled by the Houston Oil Co. through its subsidiary, the Southwestern Settlement & Development Co., which owns 53% of the stock.

Merritt Oil Makes Wyoming Discovery

Drilling in the Big Muddy field in Wyoming has penetrated 265 feet of oil bearing sand. This is the thickest oil bearing sand known in this country. The richness in oil content of the sand makes the discovery a remarkable one.

Mexican Petroleum Operations at Capacity

Through the Pan-American Petroleum & Transport Co., M N P is operating its oil tankers at full capacity. Six of the seven tankers commandeered by the Government have been returned, with a carrying capacity of 250,000 barrels of oil.

In addition the company is operating twelve other tankers, with only one still under Government operation.

Ohio Oil Brings in Gusher

A "gusher" has been brought in on section 3 of the Lusk field. This is the second well to be brought in in this field.

Oklahoma P. & R. Reported Dealing With Sinclair

Negotiations are under way for the purchase by the Sinclair Oil & Refining Corp. for a considerable part of this company's acreage in Texas. The price is said to be about $5,000,000.

Pierce Oil Will Sell 12,000,000 Gallons in England

Arrangements have been completed whereby the corporation, through its selling organization in England, will dispose of 12,000,000 gallons of gasolene a year. Gasolene in England now retails for about 33 cents a gallon. Earnings are expected to be substantially benefitted.

Royal Dutch Production Will Increase 50%

By the acquisition of the Mexican Eagle Oil Co. production will be increased about 50%. It is expected that the Shell Company will issue new stock to its shareholders at par.

Standard of New Jersey Gets Big Government Order

Contract for 5,500,000 barrels of fuel oil has been awarded the company by the Shipping Board, 3,500,000 barrels at New York, 500,000 at Baltimore, and 1,500,000 at Norfolk, Va.

Soviets have raided the offices and refinery of the company at Budapest, where $1,000,000 funds are tied up in banks.

The company's official organ states:

"So far from danger of a period of nonemployment, every worker will be needed to repair the wastage in industrial machinery, to overtake the neglected construction program, and to make up the shortage of foodstuffs and every other necessity of life."

Texas & Pacific Coal and Oil "Rights" Valuable

Capital stock will be increased from $5,000,000 to $6,000,000. Heretofore stock increases have been followed by rights to subscribe to new stock at $100 par.

On this basis, these "rights" would have a value of $300 each.

News of the bringing in of a 10,000-barrel-a-day oil well in the Ranger field in Texas, is reported, in which the company has a 50% interest.

Western States Oil & Land Brings in Well

Reports from the Lance Creek field in Wyoming state that the well in Section 3 is flowing over the derrick, and in the opinion of men at the field, it is bigger than the discovery well of Section 36.

This well on Section 3 indicates that the field is much larger than previously estimated. It proves up an additional acreage.

Ohio Oil Fuel Profits Gain

Reports for 1918 show a net income after expenses, taxes and depreciation of $725,218.

Gross income for the year totaled $1,903,895, compared with $1,349,749 for the eight months ended December 31, 1917. After paying dividends the company reports a surplus of $405,218, compared with $69,468 for the eight months' period. Surplus for the eight months' period, however, does not include Federal taxes.

MINING NOTES

Amer. Zinc March Quarter Shows Deficit

When final figures of the March 31st quarter are compiled, the company will show a deficit of $50,000. This is the result of marking down metal and ore stocks to prevailing market quotations.

Preferred stockholders need have no anxiety over dividend. The company is in a strong treasury position. Including 8,240 shares of Cities Service preferred stock, net quick assets are $5,200,000. The company owes nothing but current bills.

Anaconda's Development Work Suspended

Further development has been suspended on the Bonanza group of claims in the southwestern part of the Butte district because of failure to find ore.

Arizona Commercial Pumping Out Water

In his remarks in the annual report President Smith said:

"The developments in the east end of the Budget mine have been so favorable that we will sink a new shaft more centrally located for extraction of ore. Surface equipment has been installed and 241 feet sunk.

"The total amount of water pumped during the year was 311 million gallons, compared with 367 million gallons during 1917.

"The disquieting thing was the mounting cost of producing. Since the beginning of 1919, however, there has been a marked change in this respect, and the efficiency has been much increased. There is every reason to believe that costs can be reduced to a figure to yield for the company a reasonable profit."

East Butte Shows $765,469

The annual report of the company for the year ended Dec. 31, 1918, shows net surplus from operations of $765,469, equal to $1.81 per share, compared with $1,021,962, or $2.43 per share in 1917. Price received per pound of copper was 22.14 cents, and cost of production per pound was 19.71 cents.

Hollinger Announces Large Output

Hollinger Consolidated Gold Mine is treating 2,500 tons of ore daily and producing about $22,500 every 24 hours. At such a rate, output is at the rate of $8,000,000 annually. It is also stated that by adding to the crushing equipment it will be possible to treat 4,000 tons daily, indicating an ultimate output of $1,000,000 monthly. This would exceed the output of any other gold mine in the world.

Inspiration Operations Continue on Smaller Output

The report said in part: "Operations were conducted continuously during the year, but maximum production was not obtained.

"No development work to increase ore reserves was performed. The yield of copper from concentrating ores was 19.08 lbs. per ton. The refined copper returnable in New York by the smelter totaled 98,540,041 lbs.

"Of this 70,694,324 lbs. were sold at an average price of 24.778 cents. Cost of copper was 11.259 cents per lb.

"Laboratory results from experiments on treatment of ores have been encouraging and have indicated that a simple process for the treatment of these ores can be adopted. Construction has begun upon an experimental leaching plant to have a capacity of 35 tons of oxidized ore daily. This will soon be in operation."

Kennecott Discovers High Grade Ore

Completion of a big tunnel between the property of the corporation and the Mother Lode Mine in Alaska has disclosed a large deposit of high-grade ore similar to that found in Mother Lode Mine.

In connection with the March output of copper by this corporation, it was learned the increase over the previous month was with a smaller complement of men, indicating improvement in efficiency.

The tunnel which has been driven between the mines of the Mother Lode Copper Mines Co. and the Bonanza Mine of the corporation will shortly be completed, only one blast being required to form the connection.

As soon as the connecting link has been finished the production of Kennecott will be substantially increased.

McKinley-Darragh-Savage Shows $168,291 Cash

Short statement of the company's financial position as of March 22, shows cash in bank, $168,291; ore in transit and at smelter, $106,600; ore at mine ready for shipment, $71,970; total $346,861.

Mohawk Mines to Last About 26 Years

Mines appear to have an indicated life of 26 years, the company's engineers having

estimated an unmined quantity of oopper which can be taken out for 11.259 cents per lb.

Up to the end of 1918 there had been produced by the company 169,229,816 lbs. Based on 15-cent copper reserves have a value of $39,000,000 gross which, under normal operating conditions and cost of 10 cents a pound, should yield profits of $13,000,000, equal to $130 a share.

Nipissing Net $2,525,104

Report for the year ended Dec. 31, 1918, shows net income of $2,525,104, equal to $2.10 a share on 1,200,000 shares, as compared with $1.51 a share earned in 1917.

New Cornelia Produced 46,950,139 Lbs.

Production for the year was (in lbs.): Electrolytic copper, 31,264,642; copper in cement copper shipped, 10,990,666; copper in ore shipped, 4,694,831; total, 46,950,139.

The report says in part:

"During the year all bonds outstanding were converted into stock.

"Since February we have operated at 60% of capacity with sales only of a small percentage of production. Your company has not been operating long enough to build up a treasury to meet these unexpected conditions. Advances will be procured on copper until sales again become normal. Cost of producting copper will be abnormally high so long as living costs, wages, freights and taxes are abnormal and the margin of profit cannot be large unless an increase above the present 15 cents a pound can be secured on a full production."

Demand for Pond Creek By-Products

By virtue of the strong demand for the by-product coal which it produces, the company is able to operate nearly full, and the special quality of this coal realizes a price advantage of 25 cents a ton.

Quincy Mining Completes New Construction

Has completed its engine building in the Michigan mining district. It will house one of the most powerful hoisting engines ever built, a new Nordberg plant that will pull a skip 14,000 feet. the longest haul from any shaft in the world. Erection of the hoist will require about four months.

The company is securing better recoveries from its rock. February production showed 20 lbs. of copper per ton, compared with 17.33 lbs. per ton, for 1917. March showed 19.5 lbs. per ton. This showing is of particular interest, as the Quincy shafts are all very deep.

The additional mill capactiy will increase the savings from stamp rock four lbs. of copper per ton, and limit the losses in the wash to a minimum.

Ray Hercules Mills at Half Capacity

A steady increase is shown in milling operations and in the grade of ore treated. The mills, having a daily capactiy of 1,500 tons, were operated at full capacity up to March 1, and are now operating at 50% capacity.

The average tonnage of ore from March 1 to 25, was 932 tons per day, showing 1.58% copper. Average number of tons milled during this period was 878, with copper content of 1.6%. The company is getting an extraction of about 80% of total copper in the ore, a figure that has been maintained for some time.

North Butte Shows Deficit

Reports a deficit after expenses and ore depletion charges of $341,976, compared with a deficit in 1917 of $746,742. The company's production last year was 20,680,695 pounds of copper, 891,157 ounces of silver and 1,374 ounces of gold. Delivery of copper was 15,685,671 pounds, at an average price of 24,729 cents per pound; silver, 623,760 ounces, at $1 an ounce, and gold, 1,374 ounces, at $20 an ounce.

The report in part says:

"Owing to shortage of skilled labor, due to the circumstance that so many Butte men were in military service, it was necessary to employ and train a large number of new men who were unskilled in mining work. Because of this and because of large advances in wages, prices of supplies and freight rates, costs of production were unavoidably high, a condition which prevailed during 1918 not only in mining, but in practically every other industry. Development work was prosecuted energetically throughout the year and resulted in opening up considerable tonnage of ore."

UNLISTED NOTES

American Bosch Magneto Receives Large Order

Has closed an order with a large Italian concern, calling for the delivery of 17,000 magnetos during 1919. Shipments will start this month and the entire order will total about $500,000.

Earnings have been increasing each month, March being the largest. In that month, net earnings, after all charges and taxes, were at an annual rate of $12 a share

Bucyrus Helped by Good Roads Movement

Roads of the country largely left unrepaired during the war, are to be rehabilitated from one end of the country to the other. Michigan voiced Middle West opinion by voting $50,000,000 in bonds for good roads, the largest single good roads appropriation ever made by the state. Road contractors have begun to order machinery

and this company has obtained a good share of these orders.

Endicott-Johnson Sees Hides Shortage

The president of the Endicott-Johnson Co. says:

"There is no collection of hides anywhere, except perhaps in South America, and those are simply waiting for shipping facilities. More than half are already contracted for to go to foreign countries.

"This country's hides follow the general market, and the packers have disposed of virtually all their winter stocks."

Intercontinental's Net for 5 Mos. $247,673

Five months ended Dec. 31, 1918, shows net profits and income from investments $281,572; expenses and taxes $33,898, and surplus $247,673, equal to 85 cents a share on the capital stock. In the year ended July 31, 1918, the company showed surplus of $165,693, or 50 cents a share.

Savold Tire Has Novel Process

Savold Tire Corporation is capitalized for $5,000,000 in 200,000 shares of common stock, par $25 (no bonds or preferred stock). Formed this month to take over the Savold method consisting of about twelve patents, it is claimed that old tires can be repaired or rebuilt with a minimum guarantee of 3,500 miles further service, at a moderate cost to the user. If successful, the company has a large field since there are 7,000,000 registered cars in the U. S. A. The right to use the process is sold by the company upon a State Right plus $1 a tire royalty basis.

We believe the management's plans to be sound, and those back of the enterprise sincere. Of course, the shares are not in the investment class, but a specialty representing a new angle in the auto industry. As such, they have possibilities.

Submarine Boat Launches 36th Ship

Steamship St. Augustine was successfully launched at the Newark Bay Shipyard of the corporation, the thirty-sixth ship launched at this yard since May 30, 1918, with an aggregate tonnage of 192,000. The rivet drive at the yard now amounts to 100,000 rivets daily, leading all the Government fabricating yards.

Union Carbide and Carbon Will Take Over "Oxweld" Stock

Union Carbide, which controls 50% of the stock of the Oxweld R. R. Service Corp., has completed a deal to take over the minority stock in the later cotmpany giving Carbide interests complete control of business which is increasing rapidly.

C. H. Moore, V.-Pres. and Treas. of the Oxweld Co., announced that the offer of two shares of Carbide common stock for one share of Oxweld had been made by Carbide interests and accepted by holders of 90% of Oxweld stock.

Meeting of Oxweld company, which pays 8% dividend, will be held soon.

U. S. Steamship's Groton Plant Gets Permanent Receiver

Superior Court has appointed Frederick Conlin as permanent receiver for the company, a subsidiary of the U. S. Steamship Co. Mr. Conlin succeeds E. O. Cutler. vice-pres. and general manager of the Groton works, who was appointed temporary receiver on March 21. P. LeRoy Harwood, who has been co-receiver with Mr. Cutler, was confirmed as permanent receiver with Mr. Conlin.

The appointment was made on the motion of counsel for the Emergency Fleet Corp., which holds a mortgage of $1,800,000 on the company's property.